ANALYSIS
FISCAL 1986
FEDERAL BUDGET

Commonwealth Of Massachusetts

Michael S. Dukakis

Governor

Office of Federal Relations

ANALYSIS OF THE
PROPOSED FISCAL 1986 BUDGET
OF THE
UNITED STATES OF
AMERICA

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FORWARD

This report represents an in-depth analysis of President Reagan's proposed FY '86 Federal budget and its impact on the citizens of the Commonwealth of Massachusetts.

The 50 Governors of this country - Republican and Democrat alike - over the last several years have made the difficult and often politically painful budgetary and fiscal decisions necessary to fund essential services, invest in their economies and their people, and restore and maintain a stable fiscal climate in their states. Non-essential programs have been eliminated, management improvements have been made, and, where necessary, taxes have been raised. These actions have not been easy but they have been necessary and right.

It is unfortunate that the Reagan Administration, in its FY '86 budget, has refused to do what the states have been doing for years. The President's budget is neither a serious nor credible effort to control the burgeoning Federal deficit.

The budget proposal takes a deficit which in large measure the Administration created and which imperils our economic future and adds to it. It takes programs which invest in our people and the quality of their lives and which have already been cut substantially and cuts them even further. It takes a wasteful and bloated defense budget and increases it by 12%. And it virtually destroys our nation's commitment to urban America. In short, the President's budget is unrealistic, short-sighted, and dangerous.

I urge you to review our analysis of the President's budget. By doing so I think you will better understand the serious threat the President's proposals pose to our nation and its future. And, once you do, I hope you will join our efforts to suggest and articulate a better course.

Michael S. Dukakis
Governor

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Using This Document

This analysis of the President's proposed FY '86 federal budget contains information that should assist policy makers at the state and local level in preparing their agenda for the upcoming year. It does not include a review of every federal program, but does provide data on those which have the most profound impact on the state, cities and towns of Massachusetts.

This document is divided into three basic parts. It begins with a statement of the Commonwealth's perspective on the Reagan Administration's proposed FY '84 budget. This statement is followed by an overview of the proposed budget's impact on Massachusetts. The second part contains detailed analyses of numerous federal programs and policy areas. These analyses typically contain the following kinds of information: name of program; federal agency responsible for program; descriptions of the program at both the federal and state levels; discussion of the FY '86 budget proposed and its likely impact on the program in Massachusetts; discussion of the Administration's legislative proposals. The final section is an Appendix that describes the federal budget process.

In reviewing the information found in this document, please keep in mind the following:

- Unless otherwise noted, all years cited are federal fiscal years which begin on October 1 and end on September 30.

- The rate of inflation has not been factored into numerical data. Therefore, where the President has recommended level funding (freezing of fund proposals at present outlay levels), the program would experience "real dollar" cuts. Measured against FY '81, it would require a 25% program increase simply to keep up with inflation.

- This document is the product of the Commonwealth of Massachusetts and this Administration. It thus reflects the interests of the state and principles of its elected leadership. However, every effort has been made to make both the program descriptions and budgetary analyses and projections as fair and accurate as possible.

- Unless otherwise noted, all FY '86 budget figures used are Budget Authority.

- In order to show how funding for programs has changed since President Reagan entered office, charts will list budget figures for FY '81, '84, and '85 and the proposed funding for FY '86.

- In the funding tables throughout the book NA refers to "not applicable" figures. For instance, FY '81 figures would not be applicable for programs established after that year, whereas INA refers to "Information not available."

- In the upper right hand corner of each program page, the parenthetical note refers to the federal department which has jurisdiction for the program.

OVERVIEW

When the financial picture painted for the Federal government by the President presents over $100 billion in deficits each year through 1989, the American people must take a hard look at the federal budget. The Congress received just such a budget from President Reagan again this year. In spite of campaign rhetoric, his Fiscal Year 1986 budget proposal does not make a serious attempt to address the deficit problem he has created.

The importance of the federal budget proposal for the states lies in the fact that the budget does not operate in a vacuum. Budgetary decisions made by the federal government have a tremendous impact on Massachusetts and its people. In order to fully understand the choices that have been made and the direction in which the Reagan Administration is moving, this analysis also looks at prior year budgets and appropriations as well as the FY '86 proposal.

A substantial portion of this document is devoted to an item by item, program by program analysis. In addition, and more importantly, our examination will bring the Reagan Administration philosophy and the plans for its implementation onto the solid ground of factual analysis. If we are to understand what the President's priorities really are, this focus is essential. The military, education, space explorations, the elderly, business, and many other groups have all been described as priorities by Reagan Administration spokesmen at one time or another. This budget and its predecessors show us in no uncertain terms the real priorities of the Reagan Administration.

The broad outlines of the proposed budget are as follows. The FY 1986 budget proposes outlays of $973.7 billion and projects revenues of $793.7 billion, with a resulting deficit of $180 billion. The budget is based on several economic assumptions. It assumes that real GNP will grow at a 4.3% rate throughout 1985 and again in 1986. It assumes that the inflation rate in 1985 will be 4.2% rising to 4.3% in 1986. The long term economic forecast is equally optimistic.

Military spending is once again the President's chief priority. President Reagan has proposed $285.7 billion in outlays for national defense in FY '86, an increase of $31.9 billion (12.5%) over last year. Further substantial increases are planned for FY '87 and '88 by which time the President proposes to spend $411.4 billion for defense, almost 37.5% of that year's projected outlays. If the President's budget is enacted, FY '86 military spending would represent a $114.4 billion or 66.7% increase since FY '81.

Another major commitment of funds in the FY '86 budget is the payment of interest on the national debt. With the debt in FY '86 estimated at $1.68 trillion, 14.6% of the total budget, $142.5 billion will go for interest on the debt next year. Debt service always makes up a major portion of the federal budget. But the President's refusal to face the magnitude of the debt and to make any adjustments in defense spending has made an even more significant commitment of our resources necessary for payments on our indebtedness.

Over the past four years, the President has continually referred to the need to balance the federal budget. Instead, the Administration has increased the size of the deficit to a projected $222 billion for FY '85, will have added another $180 billion to the national debt in FY '86, and has put the prospects for a balanced budget more out of reach than at any time in our history.

Thus, it is this issue of the deficit that hangs over every budgetary decision facing the Congress and to which a solution must be found. Yet, it must be a fair, just and compassionate solution. Massachusetts, like so many other states, has had to deal with difficult economic times over the past decade. However, as budgetary decisions and adjustments were made, the goal of providing opportunity for all was the overriding concern.

This should be the goal of any current federal budgetary decisions. Although some areas of the country are in an upward trend, pockets of the United States (similar to pockets in Massachusetts) are still experiencing bad times. These communities cannot be forgotten. We cannot cut off the resources that these state and local governments need to help themselves.

And, some individuals have not yet benefitted from the current economic recovery. People who want to work must be given the opportunity and the training to find work. Those who are not able to work should not be forced to live a life that ignores their dignity as human beings. Rather, they should be provided with the assistance they need to achieve a decent standard of living.

The Reagan budget does not make any effort to expand opportunity, and in fact, reduces opportunity. Under the Reagan budget proposal:

- Young people despite their ability and commitment would be denied the opportunity to attend the college of their choice. The student aid and student loan restrictions proposed by the President would force them to choose a college based on cost rather than academic factors.

- Older Americans would be denied the opportunity to live out their lives in dignity. The increased costs of health care and cutbacks in housing assistance would place an unreasonable burden on the already meager resources of so many of the elderly.

- People on public assistance would be denied the opportunity to lift themselves out of poverty. Elimination of the Work Incentive program would prevent thousands of people in Massachusetts alone from receiving training in what has been an extraordinarily successful program.

- Cities and towns would be denied the opportunity to revitalize and rebuild. Elimination of mass transit funding, urban development action grants, and general revenue sharing would take away critical development resources and could turn our downtowns into ghost towns and cost the people of our state jobs and tax dollars.

The Commonwealth of Massachusetts has approached the problem of deficits and achieving a full employment economy without mortgaging the future or forgetting the less fortunate. Innovative economic development initiatives, stringent tax enforcement efforts and other new efforts have helped us to maintain fiscal soundness in our state. Now, when the federal government should be trying to look for new ideas, it cuts back in the very program areas where they may find the answers. Defense receives a massive increase, the national debt grows $443 million a day, and interest on that debt eats up over 14% of our budget. Massachusetts has used every resource we had -- in the private- public and academic sectors -- and turned itself around.

It is time for the federal government to do likewise.

THE FY '86 FEDERAL BUDGET
THE IMPACT ON MASSACHUSETTS

Attempts to understand the potential impact of federal budget proposals on Massachusetts are always challenging and complicated. The actual impact, of course, will depend on what final decisions are made by Congress in the budgeting and appropriating process. This will only be clear at the end of the fiscal year for which we are now beginning to plan.

This analysis is, therefore, only a snapshot at one point in time in what is a lengthy process. Yet, if we are to influence the final outcome of this process, we must make our best estimate of the consequences for Massachusetts of the President's proposed budget and then interact with Congress to produce the best possible outcome for our state. That is the basic purpose of this document.

The Massachusetts share figures in this analysis are our best estimates. We will follow Congressional action on major programs very closely and continuously update our operating assumptions.

Since our primary concerns in this document are those budget items that most directly effect the state and its budget, our analysis is not all inclusive. We concentrate on two categories of federal activity;

- major domestic programs that provide funding directly to the state or to local government and a few other important programs in areas in which the state is actively involved;

- major entitlement programs in which the state is an active partner with the federal government in the management and/or funding of the program, activity areas in which federal policy may have a profound impact on the state and its budget.

The major domestic non-entitlement programs which we analyze account for a very substantial portion of all such funds that come into the state. It is impossible to estimate our share of the many Federal discretionary programs that will be funded and impractical to analyze many of the smaller dollar value programs that will come to Massachusetts.

Our entitlement program analysis focuses only on those programs in which the state has a management and/or budget involvement. Therefore Social Security and Medicare are not included in this particular document.

Finally, and again due to the nature of this analysis, we do not deal in detail with expected procurement decisions that will result in the purchase of goods and services in Massachusetts by the Department of Defense, the General Services Administration, or any other federal agency, although we recognize the importance of such procurement to the overall health of our economy.

SUMMARY

The State of Massachusetts will suffer massive losses totalling an estimated $518 million in major domestic programs and entitlements should Congress adopt the Reagan Administration's proposed budget for FY 1986.

The State itself stands to lose over $203 million in Federal programs that come directly to the states next year including major losses in the Social Services Block Grant, Urban Mass Transit, Work Incentive Program, and Community Development Block Grant Program. Local government in our state would be forced to absorb a projected $136 million in cuts due primarily to the proposed elimination of Revenue Sharing as well as reductions in other local aid programs.

In addition, 40,000 students in Massachusetts colleges and universities would lose their eligibility for an estimated $98 million in Guaranteed Student Loans in FY '86, if the Reagan Administration Budget is adopted.

Finally, proposed changes in the laws governing the operation of crucial entitlement programs would cost Massachusetts almost $20 million, with the largest loss coming from changes the Reagan Administration proposes in Medicaid.

MAJOR DOMESTIC PROGRAMS -- MASSACHUSETTS SHARE

FY '84, FY '85 and Projected FY '86
($'s in Millions)

Program	State Share FY '84 (actual)	State Share FY '85 (actual)	State Share FY '86 (projected)	Gain or Loss FY '85 to FY '86
Block Grants				
Social Services	$ 67.0	67.7	67.1	-.6
Primary Care	5.7	5.7	5.7	-0-
Alcohol, D.A. & M.H.	18.2	18.2	18.2	-0-
Maternal and Child Health	7.7	9.2	9.2	-0-
Preventive Health	2.5	2.5	2.5	-0-
Community Services	8.3	8.7	-0-	-8.7
W.I.C.	23.4	23.9	24.3	+.4
Child Welfare Services	2.9	2.9	2.9	-0-
Health Planning	.37	.37	-0-	-.37
WIN	8.0	8.0	-0-	-8.0
Low Income Home Energy Assistance	86.7	86.7	82.7	-4.0
Weatherization	5.7	6.0	4.8	-1.2
Energy Conservation				
EES	.2	.2	.16	-.04
Schools & Hospitals	1.3	1.4	1.0	-.4
State Grants	.5	.5	.4	-.1
Older Americans Act				
Social Services	7.0	6.9	6.9	-0-
Nutrition	10.0	10.5	10.5	-0-
Education				
ECIA, Chapter 1	78.3	84.0	83.2	-.8
ECIA, Chapter 2	9.9	11	11	-0-
Bilingual Education	4.1	4.8	4.1	-.7
Education for the Handicapped Grants to States	30.8	32.1	32.1	-0-
Child Nutrition	61.0	62.7	56.1	-6.6
CDBG - Small Cities	27.6	27.6	24.8	-2.8
Rental Housing Grants	-	15.4	-0-	-15.4
JTPA	57.5	58.7	57.7	-1.0
Job Service	17.2	18.6	17.4	-1.2
Adult Education	1.9	2.1	2.1	-0-
Vocational Education	17.0	16.9	16.9	-0-
Rehabilitation Services	23.5	25.9	25.9	-0-
Superfund	16.6	25.6	34.6	+9.0
Hazardous Waste	1.3	1.6	1.7	+.1
Safe Drinking Water	.36	.38	.39	+.01
Water Pollution (106)	1.3	1.3	1.3	-0-
Clean Air Act (105)	2.5	2.6	2.7	+.1

Program	State Share FY '84 (actual)	State Share FY '85 (actual)	State Share FY '86 (projected)	Gain or Loss FY '85 to FY '86
UMTA				
Section 18	1.04	1.04	-0-	-1.04
Section 9	72.0	75.0	31.0	-44.0
Section 3 (Discretionary)	65.0	70.0	-0-	-70.0
Trust Fund				
Interstate Transfer (Transit)	40.0	45.0	-0-	-45.0
4-R	29.0	29.0	29.0	-0-
Primary	40.6	36.5	36.5	-0-
Secondary	6.3	5.3	5.3	-0-
Urban	21.9	23.3	23.3	-0-
Bridge Program	29.9	36.8	36.8	-0-
Hazard Elimination	3.9	3.9	3.9	-0-
FAA-AIP	5.8	5.7	5.0	-.7
Sub-Total Direct to State	921.7	982.2	779.2	-203.0
Waste Water Construction Gr.	83.0	83.0	83.0	-0-
CDBG - Large Cities	73.3	76.3	69.0	-7.3
Revenue Sharing	132.2	128.7	-0-	-128.7
Sub-Total to Local Government (incl. State Pass-Thru)	288.5	288.0	152.0	-136.0
UDAG	32.7	26.4	-0-	-26.4
EDA	4.6	4.0	-0-	-4.0
Legal Services Corp.	6.3	7.0	-0-	-7.0
Higher Education				
Pell Grants	68.4	61.4	50.3	-11.1
SEO Grants	20.6	22.7	-0-	-22.7
Nat. Dir. Stud Loans	7.5	7.2	1.3	-5.9
Guaranteed St. Loans	225.6	320	222	-98.0
Work Study	32.1	34.4	49.3	+14.9
Sub-Totals-- Other Major Programs	397.8	483.1	322.9	-160.2
Total Major Domestic Programs	1,292.6	1,753.5	1,254.1	499.2

1) All figures in current dollars

STATE/FEDERAL ENTITLEMENTS - MASSACHUSETTS SHARE*

FY '85 and Projected FY '86
($'s in millions)

Program	FY '85	(A) FY '86 (Current Services)	(B) FY '86 Request	Gain or Loss (A - B)
AFDC	$ 213	$ 225	$ 223	$ -2
Medicaid	$ 756	$ 792	$ 775	$-17
Food Stamps	$ 177	$ 179	$ 179	0
SSI	$ 164	$ 171	$ 171	0
	$1,310	$1,367	$1,348	$-19

*Figures represent Federal Funds only.

COMPARISON OF FY 1981 TO FY 1986 FUNDING LEVELS IN CONSTANT DOLLARS

As the chart below dramatically displays, over the past five years, the Reagan Administration has waged an all-out assault on the federal domestic spending programs that provide basic services and benefits to the citizens of Massachusetts.

By adjusting the funding levels for various fiscal years for inflation, one is able to compare more accurately among different fiscal years actual service levels that can be provided. The Reagan Administration often denies that it is attempting to cut service levels by using nominal figures, which are not adjusted for inflation, to demonstrate that program funds are not being cut, or in some cases, actually being increased. By failing to address the effects of inflation on service levels, the Administration masks the real cuts that are being made to programs which are important to the quality of life, for all of our citizens.

On the chart, the actual FY 1981 funding levels for major programs in Massachusetts have been adjusted for inflation by a factor of 25% to reflect what the equivalent dollar amount would have to be in FY 1986 to provide the same level of real dollar program support* (See Column 2). Columns 4 and 5 show what the real impact of the Reagan years has been in constant dollar terms. Virtually every major program in the state that receives federal grant funds has taken a cut in real spending power and will not be able to provide the same level of service in FY 1986 that they could in FY 1981, with federal dollars.

Over the past five years, virtually all of the human services grant programs have experienced severe funding cuts for activities that provide assistance to children, the elderly, and to those who are ill or impoverished. Programs to guarantee the quality of the environment have been cut as have basic programs to maintain the economic well-being of citizens and communities and to provide for the educational needs of the children and adults in the Commonwealth. In many instances the State has appropriated supplemental funds to guarantee adequate service levels for people in our state to make up the difference in lost federal dollars that now are directed towards military spending and interest on the national debt.

*Source: Congressional Joint Economic Committee.
Represents estimated accrued inflation rate
FY 1981 - FY 1986.

SELECTED FEDERAL GRANTS TO MASSACHUSETTS
Comparison of FY 1981 to FY 1986 Funding Levels
In Constant Dollars
(Millions)

Programs	(1) FY '81 (Current 1981 dollars	(2) FY '81 (Inflated to 1986 dollars	(3) FY '86 (Current 1986 dollars)	(4) Change 1981-86 (1986 dollars)	(5) % Change 1981-86 (1986 dollars)
Block Grants					
Social Services	$ 78.9	$ 98.6	67.1	-31.5	-32%
Primary Care	5.6	7.0	5.7	-1.3	-19%
Alcohol, D.A. & M.H.	24.6	30.8	18.2	-12.6	-41%
Maternal and Child Health	7.9	9.9	9.2	-.7	-7%
Preventive Health	3.1	3.9	2.5	-1.4	-36%
Community Services	11.2	14.0	-0-	-14.0	-100%
W.I.C.	16.5	20.6	24.3	+3.7	+18%
Child Welfare Services	3.2	4.0	2.9	-1.1	-28%
WIN	11.0	13.8	-0-	-13.8	-100%
Health Planning	.62	.78	-0-	-.78	-100%
Low Income Home Energy Assistance	77.6	97.0	82.7	-14.3	-15%
Weatherization	6.3	7.9	4.8	-3.1	-39%
Energy Conservation					
EES	.4	.5	.16	-.34	-68%
Schools & Hospitals	4.0	5.0	1.0	-4.0	-80%
State Grants	.6	.8	.4	-.4	-50%
Older Americans Act					
Social Services	6.8	8.5	6.9	-1.6	-19%
Nutrition	9.4	11.8	10.5	-1.3	-11%
Education					
ECIA, Chapter 1	68.2	85.3	83.2	-2.1	-3%
ECIA, Chapter 2	10.0	12.5	10.0	-2.5	-20%
Bilingual Education	4.6	5.8	4.1	-1.7	-29%
Education for the Handicapped Grants to States	29.3	36.6	32.1	-4.5	-12%
Child Nutrition	55	68.8	56.1	-12.7	-18%
Legal Services Corporation	8.5	10.6	-0-	-10.6	-100%
Rehabilitation Services	19.7	24.6	25.9	+1.3	+5%

Programs	(1) FY '81 (Current 1981 dollars	(2) FY '81 (Inflated to 1986 dollars	(3) FY '86 (Current 1986 dollars)	(4) Change 1981-86 (1986 dollars)	(5) % Change 1981-86 (1986 dollars)
Higher Education					
Pell Grants	67.4	84.3	50.3	-34.0	-40%
SEO Grants	20.2	25.3	-0-	-25.3	-100%
Work Study	32.1	40.1	49.3	+9.2	+23.%
JTPA	126.8	158.5	57.7	-100.8	-64%
Job Service	18.6	23.3	17.4	-5.9	-25%
Adult Education	2.4	3.0	2.1	-.9	-30%
Vocational Education	16.6	20.8	16.9	-3.9	-19%
Wastewater Construction Gr.	93.0	116.3	83.0	-33.3	-29%
Hazardous Waste	.54	.68	1.7	+1.0	+71%
Safe Drinking Water	.54	.68	.39	-.29	-43%
Water Pollution (106)	1.1	1.4	1.3	-.1	-7%
Clean Air Act (105)	2.5	3.1	2.7	-.4	-13%
Revenue Sharing	145.5	181.9	0	-181.9	-100%

HISTORICAL DEFICITS

1947 – 1988

(IN BILLIONS OF DOLLARS)

1985-1988 FIGURES ARE PRESIDENT'S FISCAL YEAR 1986 BUDGET.

HOUSE BUDGET COMMITTEE
FEBRUARY 4, 1985

THE BUDGET AND THE HOMELESS

Although Massachusetts has developed a comprehensive policy approach to homelessness, incorporating both short term responses and long term solutions, the federal government has continually failed to address the root causes of the problem. Private voluntary organizations received supplemental appropriations for emergency food and shelter in FY '84, channeled through the Federal Emergency Management Agency (FEMA); these funds are presently being used to provide assistance to the homeless during the cold winter months. The President's FY '86 budget proposal neglects this funding, and slashes federally supported public housing by freezing rent subsidies and scaling back rent vouchers from 40,000 to 3,500. Rehabilitation grants for rental apartments and grants to build housing for elderly and handicapped people will both be eliminated.

Homelessness continues to be a national problem and 8,000 to 10,000 individuals are reported to be homeless in Massachusetts alone. Coordinating agencies across the state have reported an increased visibility of homeless on the street and shelters are usually filled to capacity even though the number of available beds in the state has been increased. In his January 1985 State of the State address, Governor Dukakis announced that a primary goal for his Administration would be the rehabilitation of abandoned housing through a public/private housing initiative called the Massachusetts Housing Partnership.

While the causes of homelessness are a complex interaction of a wide-ranging variety of social failures including persistent poverty, alcohol and drug abuse, mental illness, domestic violence and shortages of affordable housing, the problem has been increased due to cutbacks in public funding for human services, especially from the federal government. Massachusetts has seen the percentage of homeless families increases, due to federal cutbacks on AFDC rolls and tightened federal eligibility for public assistance.

In the past two years, money for the homeless was funneled through the Federal Emergency Management Agency. During FY 1983, Congress appropriated $100 million for FEMA with the intent that the National board would distribute the money in a short term one year Emergency Food and Shelter program. In FY '84, however as the problem still languished, Congress, through a series of supplemental bills, appropriated an additional $110 million earmarked to assist the homeless again through the FEMA program.

In the FY '83 appropriation, the funds were divided evenly between the Private Voluntary Organizations (PVO's) and the states. However in FY '84 Congress reserved the entire sum of money for the PVO's. Luckily, the PVO's worked in close consultation with the Massachusetts state agencies and thus 70% of state programs continued to receive funding. However distribution restrictions on FEMA money made some counties ineligible for any food and shelter services, even when the unemployment data used to determine the area's need failed to account for the actual number of homeless people. Many feeding programs were uanble to continue due to the elimination of FEMA money for states, and the overall cut in funds affected many shelter programs which had depended upon the federal support allocated by the state.

While the FEMA money distributed to PVO's can provide short-term aid for many of the thousands of people who need assistance, it is totally inadequate for addressing the serious and long-term causes of homelessness. In the President's FY '86 Budget the trend of his previous four budget proposals continues as it cuts (in real dollar amounts) essential programs including employment and training, income maintenance, preventative health, social services, mental health and housing. These programs are critical for assisting

homeless people to become independent and to lead secure and useful lives. Without these means of assistance, the problem of homelessness in our country is not only perpetuated but continually worsened.

Massachusetts addresses the situation of homeless people from a broad public policy approach. The state attempts to foster the development of privately operated shelters, providing partial funds for their initial stages through the Department of Public Welfare. Other state programs, such as those facilitated by the Department of Mental Health and the Department of Social Services, focus on longer term solutions. Funding for these programs comes primarily from the state government and the private sector. One such example of private funds being utilized in the state, includes a foundation grant award to two comprehensive health day treatment centers for the homeless in Boston, run in cooperation with the U.S. Conference of Mayors.

While state agencies and private organizations struggle to find shelter and long-term security for people who would otherwise live on the street, the President's budget proposal has once again ignored the plight of homeless people. In a nation where many citizens benefit from a healthy economy, the federal government bears a responsibility to critically examine the causes of homelessness and to pass legislation which enables relief and long-term solutions.

THE BUDGET AND THE ELDERLY

The federal budget provides extensive support for senior citizens through a broad series of income, health and social services programs, including Social Security and Medicare. Seniors have only recently recovered from the fear and threat posed to their well being by the crisis in the Social Security fund. A similar crisis looms on the horizon in the Medicare hospital insurance trust fund. In the area of elderly health care programs, President Reagan will continue the cost containment trends adopted last year by extending the freeze of Medicare payments to physicians. Payments to hospitals under the new Diagnostically Related Groups (DRGs) will also be frozen for FY '86. The DRG system pays hospitals set amounts related to the illness and the average number of hospital days and costs needed to treat it. This system has not yet had a measurable impact on the access of elders to health care, though it has complicated the delivery of post-hospital care. Under the DRG systems, many elders are returning home needing more recuperative care and in-home services than in previous years.

While this system is saving Medicare payments to hospitals, it requires an effective community health network, and Medicare payments to cover it, to succeed in preventing readmissions to hospitals because of post-hospital complications. The budget proposes a copayment on home health visits after the twentieth visit. Presently the government pays the full cost of covered home health visits, though the rules on which visits will be covered have become stricter in the past year.

While hospitals and physicians will see their payments frozen, elders themselves will be asked to pay more. Medicare covers between 40-45% of the health care bills of senior citizens. A $40 increase in the hospital deductible took effect last year and yet another increase will occur this year. The President proposes an increase in premiums for Part B services to pay 35% of the program's costs by 1990. Part B premiums now pay 25% of the expenditures for physicians' services. If Congress approves the measure, premiums will rise from $15.50 to $16.80 a month in FY '86.

The President intends to devise a Medicare voucher program that allows seniors to purchase private health care coverage on their own. A similar voucher program is being tested in the housing program Insurance companies would have to offer a health package that at least equals those benefits covered by Medicare. While this competitive model may offer seniors more flexibility in the selection of health policies, there is no guarantee that the value of the voucher will keep pace with the annual increases in the cost of the selected policy. Details on the plan were not included in the budget package.

Noticeably missing from the budget message was any mention of one of the most promising developments for saving Medicare costs, Health Maintenance Organizations. After 18 months of delay the Administration has released regulations that allow HMOs to contract with the federal government to enroll Medicare beneficiaries. The program began on a pilot basis with four demonstration programs, including one at the Fallon Clinic in Worcester. The programs were so successful that other HMOs were given waivers to serve seniors and Congress made the program a permanent part of the Medicare program.

HMOs offer seniors a broader package of benefits at a lower cost than the best supplemental health policies. Seniors still pay their Part B premium and a premium to the HMO. Medicare pays the HMO 95% of what it would have cost Medicare had the person not joined. The average HMO premiums to seniors range from $15-$30 a month. By comparison, Medex III, the best supplemental policy costs over $45 a month and it does not cover all the benefits offered by HMOs.

Governor Dukakis has called HMOs the best way to change the way we deliver quality health care at an affordable price to seniors. Experience at the Fallon Clinic, and other HMOs around the country, has shown that Medicare saves at least 5% or more than it would pay if the same person had received regular Medicare coverage.

With a proven model for delivering excellent health care and containing Medicare expenditures, the Administration should place more emphasis on these positive developments rather than squeezing seniors with higher premiums and greater restriction on services.

THE BUDGET AND MINORITIES

The Reagan Administration's FY '86 budget impacts all of us. But the outlook for minorities is particularly harsh since the budget once again fails to address the severe problems which beset our minority communities. The Administration's agenda provides little hope for minorities who face daily struggles of justice and equity.

This budget proposal does nothing to advance the social and economic progress made by minorities in the last 30 years, and indeed, threatens to widen the socioeconomic gap that separates black and white Americans. While the economy has registered significant gains in the last two years, minorities have not shared fully in our recovery. Moreover, the '86 budget proposal offers little to suggest the extension of economic improvements to minorities in the future.

Unemployment continues to ravage minority communities, dispirit the people and discourage the jobless from maintaining the hope of finding a job. Indeed, national unemployment of 7.4% is excessive, but black unemployment of 14.9% is a moral outrage. The Urban League correctly notes that in any other sector of our society such a staggering unemployment rate would justify use of the term "Depression."

Yet these figures and the human tragedy that lies behind them have not moved this Administration to take serious steps to reduce unemployment and provide those who want a job the dignity of having one. Incredibly, the President's response to unemployment is elimination of WIN (Work Incentive Program) in 1986 and the sub-minimum wage for youth, hardly a prescription for the illness.

Currently, Massachusetts receives approximately $8 million in WIN funds to support its $32.5 million "Employment and Training CHOICES" program for AFDC recipients. The dismantling of WIN will undermine one of the Dukakis Administration's top priorities: helping AFDC recipients achieve economic self-sufficiency through employment and training services. The success of the "ET CHOICES" program in Massachusetts in placing 12,000 AFDC recipients in jobs is well documented. Its contribution to the economic well-being of thousands of our state's families must be continued and expanded, in the name of equity and common sense, not threatened by a dangerous proposal to withdraw federal participation in this vital program.

Many of the government programs that minorities rely on have been slated for elimination in the Reagan budget or face real dollar budget reductions as a result of level funding. These budget proposals affect numerous programs critical to insuring equal justice and fairness for all our citizens. The national budget should stand as a document for all people - rich and poor, black and white, young and old. Clearly, the Administration's budget does not meet that standard.

More specifically, the virtual elimination of mass transit assistance would be a great hardship for urban minorities for whom higher fares or reduced service would create additional barriers to employment. Abolishing the Community Services Block Grant program will threaten the very survival of the community-based organizations that have been strong advocates for the needs of the minority community and providers of essential social and economic services within the minority community.

The assault on federal assistance in the field of housing will raise costs and worsen living conditions for minorities, the poor and the elderly -- making a life of dignity even more difficult to achieve. Reductions in the Community Development Block Grant

program and elimination of the Urban Development Action Grants will cost Massachusetts millions of dollars in job creating economic development activity.

Finally, reductions in the real levels of funding for education and job training will mean fewer opportunities for our citizens to gain the skills they need to compete successfully in an ever more technically sophisticated economic system.

Minorities will also suffer if the total elimination of the Legal Services Corporation recommended by the President is enacted. Fair and qualified legal representation is a tenet of our democracy and must not be abridged.

In sum, the Reagan proposal reflects economic policy and budget decisions which chart a course for America that neglects the needs of minorities. Human capital has helped this nation realize greatness, and this budget invests too little in this precious resource.

THE BUDGET AND CHILDREN

The Reagan Administration's proposed 1986 budget will have a significant negative effect on the lives of Massachusetts' children and continues the pattern of past budgets, cutting the real level of funding vital for programs that service their nutritional, educational and social needs.

In the Commonwealth, we recognize that the key to our future is through a major investment in our children. This is evidenced in the Governor's proposed FY '86 state budget in which Day Care, Children Nutrition and Preventive Child Abuse programs have received a strong commitment from the Governor - in stark contrast to the continued low priority assigned to this important area by President Reagan in his FY '86 Budget. The Reagan Budget would undermine those programs that provide child nutrition, child day care, and child health.

In October 1983 the Massachusetts Department of Public Health released a survey showing chronic malnutrition among children and infants statewide. In November of the same year Senator Edward Kennedy issued a report that documented hunger across America. And last year, after thorough investigation, the Harvard School of Public Health reported that malnutrition and hunger among children is extensive throughout the New England region.

Nonetheless, the President's Task Force on Hunger dismissed child malnutrition as "not serious"; and Administration leaders have speculated that individuals at soup kitchens merely want a free meal. This insensitivity towards the hungry by the Administration is evident througout the President's fiscal 1986 budget.

The Administration's budget proposes to reduce expenditures in child nutrition programs by $400 million nationally. To do this, they plan to reduce funding for the School Lunch, School Breakfast, and Child Care food programs. A family of four earning more than $18,870 a year will no longer be eligible for the program. Currrently Massachusetts serves 450,000 students under this program each year. The Reagan proposal could cut that number by up to one half. To many school age children, the meal available to them at school is the only hot, nutritious meal they have each day.

Children lose with the Reagan Budget since increased protection from malnutrition and related diseases fail to be adequately recognized and supported. Massachusetts has distinguished itself nationally by being the first and only state to supplement the Women, Infants and Children (WIC) program. We also have an extensive food and nutritional education program.

The Reagan Administration proposals neglect the important WIC program. The Reagan budget proposed cuts for WIC which would mean a $.8 million loss to Massachusetts for FY '85 and '86 compared to Congressionally mandated levels.

Child Day Care has a positive long and short term effect which leads to a better quality of life for our children. Governor Dukakis recognizes this and is committed to Day Care throughout the state.

Recently he announced a comprehensive Day Care Partnership plan which he said "will create a model child-care system of affordable and safe quality care that is available to every family in Massachusetts who needs it." Highlights of the state's plan include: increased wages to Day Care workers, greater funding for state-subsidized care for low income parents, additional care to families in crisis, establish a statewide network

of Child Care Resources and referral agencies, increase the number of licensors at the Office of Children and expand the employer-sponsored day care projects.

Clearly Massachusetts has a commitment to Day Care which the Reagan Administration does not share.

In Massachusetts, the Department of Public Welfare, the Department of Social Services, and the Office of Children all rely on assistance from the SSBG for day care programs. The President's proposal cuts the SSBG by $25 million. In addition to cutting the program, the President proposes to consolidate the Community Services Block Grant into the SSBG as well as fund Legal Services for the poor with SSBG funds. Overall, the increased services plus the proposed cuts would place a $698 million drain on the SSBG or a 25% decrease in the funding level. Children will suffer if Congress passes these proposals.

Health Care for children is significantly reduced under the Reagan budget. Massachusetts relies on a number of federal programs to ensure quality health care for the children of our state. Medicaid which offers indigent health care is proposed to be cut by $1 billion nationally compared to current service levels. The Maternal and Child Health Services Block Grant and the Primary Care Services Block Grant which also offer health care for low income children has been level funded. The Medicaid cuts plus inflation factored into the level funded programs, significantly impact federal health care dollars for children in Masachusetts.

In sum, the Reagan agenda will hurt those least able to defend themselves: children. Day care, health care and nutrition programs are all essential to the full development of our children. Unable to vote, register their opinion or make a difference in government, children and their needs must be all of our responsibility.

THE BUDGET AND CITIES AND TOWNS

If the proposed Reagan Administration FY '86 Budget is enacted, Massachusetts cities and towns stand to lose $285 million.

Historically, the economic health of our cities and towns has depended on several important parts of the federal budget. However, in recent years Massachusetts has been able to a degree, to reduce this dependence and avoid many of the problems experienced in other sections of the country. Nevertheless, there are several federal programs that are a basic element in the economic foundation of our cities and towns.

The staple of federal municipal economic assistance lies in several programs: Urban Development Action Grants (UDAG), Community Development Block Grants (CDBG), Revenue Sharing, Waste Water Construction Grants, Economic Development Administration (EDA) grants, Urban Mass Transportation Administration (UMTA), and Regional Transit Authorities (RTA) programs, as well as assistance to elementary, secondary and vocational education.

Under the President's proposed budget for FY '86, UDAGs, Revenue Sharing and EDA would all be eliminated. The CDBG program, along with UMTA and RTA's would be reduced from the previous year's budget with vital portions of UMTA completely cut out. Construction grants will be level funded for the fifth year in a row, but are slated for total elimination by 1990. Elementary, secondary, and vocational education will be level funded thus reducing the real value of this assistance.

The abolition of any one of the programs facing elimination would seriously impair economic development in many areas throughout Massachusetts. The UDAG program is the foremost example of public-private partnership to stimulate economic development. In FY '84, eligible Massachusetts cities and towns received more than $32 million, which helped create over 4,000 permanent jobs and 2,000 jobs in the construction industry.

Revenue Sharing, if eliminated, would deprive many small and medium sized communities of their principal source of federal assistance further constraining their ability to address their communities' greatest needs. Elimination of revenue sharing would cause particular hardship to cities and towns in Massachusetts that are up against the limit imposed by Proposition 2½.

The abolition of the EDA program would seriously stifle economic development in many areas. The EDA program has provided grants and loans to economically distressed communities thereby helping to create jobs and improve public service systems to attract private sector investment. Furthermore, EDA also provides grants for the construction, maintenance and repair of roads, bridges, service and water treatment facilities. While Massachusetts has weathered some economic storms, it continues to have several significant pockets of economic distress. Though threatened with extinction by the Reagan Administration in FY '84, EDA, through the actions of Congress, provided Massachusetts with $4.6 million in development assistance.

While the Commonwealth has been able to buffer itself reasonably well in recent years from recession and other economic difficulties, with high tech and educational centers playing an important role, it is an older industrial state. The reduction in funding for the CDBG program and the proposed level funding for Waste Water Construction Grants will result in Massachusetts communities losing millions of dollars in necessary tools for economic development. The loss of funding will result in fewer development projects initiated or completed, a reduction in the rehabilitation of housing and business

properties, limited construction of public facilities, fewer public services available, and a cut in the construction/repair of water sewage treatment facilities. Currently 15-20 communities in the state are in the planning stages for new sewage treatment activities which will be seriously affected if the construction grant program is drastically cut back in the next few years and terminated as proposed for 1990.

While somewhat less direct in impact than the above programs, transportation and education play an integral role in economic development. If the Reagan Administration's budget is adopted, Massachusetts will lose $106 million in UMTA funds and RTA's will lose an additional $10 million. Such drastic reduction in funds would level a reeling blow to local communities and their economic development in the state. Massive fare increases and deferral of essential capital investments would seriously threaten the viability of our improving mass transportation system.

Regardless of the number of economic development programs provided or the amount of funds cities and towns have received, without a well educated workforce all is for naught. This is particularly true in Massachusetts where our most important resource and economic asset is the high quality of our workforce. Any decision which fails to keep pace with the growing demand for improved elementary, secondary and vocational education will only lead to a reduced competitive edge for Massachusetts companies and our citizens.

If approved as presented, the Reagan Administration's budget proposal will produce an economic crisis for the cities and towns of Massachusetts and for all our citizens. In the past, however, Congress has been convinced of the folly of many of the proposals in the President's budget. It is crucial to our state's economic well-being that Congress once again reject these counter-productive efforts to reduce federal spending. Massachusetts is in very good economic shape today, a state brimming with opportunity for its people. However, many of the programs proposed to be cut or abolished were instrumental in producing our current economic condition and remain vital to sustaining our success. If we are to maintain our economic vitality and extend it to all of our citizens and communities we must have the continued assistance of the federal government.

EXECUTIVE OFFICE OF HUMAN SERVICES

Program Description

Administered by the Department of Public Welfare, the AFDC program provides cash assistance to low-income families with dependent children who have been deprived of parental support due to the death, disability, or continued absence of a parent. Intact families may also qualify for benefits if the primary wage earner has been unemployed for more than 30 days, is not receiving unemployment compensation, and has registered with the Division of Employment Security.

Families which satisfy the above categorial requirements and have gross incomes below 185% of the state-set need standard qualify for program assistance. In addition, the family's net income, after all deductions are taken, must fall below 100% of the standard of need.

In addition to cash payments, recipients may also be eligible for once-a-year Emergency Assistance under the AFDC program. Further, beneficiaries are automatically eligible for Medicaid and may qualify for Food Stamp benefits.

Though AFDC is administered by the states, the federal government reimburses between 50-83% of AFDC benefits. A state's reimbursement rate is dependent on a formula which relies exclusively on per capita income. Since Massachusetts per capita income is well above the national average, federal financial participation is 50%, the minimum level under AFDC.

The Program in Massachusetts

The Omnibus Budget Reconciliation Act of 1981 instituted sweeping cuts in the AFDC program. Recipients in Massachusetts were particularly hard hit by these reductions as Massachusetts experienced a greater percentage decline in AFDC caseload than any other state of comparable size.

According to the Department of Public Welfare, the changes which had the most substantial impact on Massachusetts residents were the following:

- Limit eligibility to recipients with incomes less than 150% of the state need standard.
- Limit the $30 and 1/3 earned income disregard to the first four months of employment.
- Restrict aid to pregnant women with no other dependents to the third trimester of pregnancy.
- Eliminate aid to dependents between the ages of 18 and 21, unless the dependent will complete high school before age 19.
- Include the income of step-parents in calculation of AFDC grant award.

The primary impact of these and other OBRA changes has been to drop over 25,000 AFDC families from the welfare rolls. As the following chart shows total monthly caseload figures fell from approximately 120,000 in August 1981 to approximately 95,000 in August 1982. In addition, another 11,000 families had their grants reduced as a result

of the OBRA amendments. Overall, the Department of Public Welfare estimates that AFDC recipients have experienced just under $85 million in annualized benefit cuts as a result of OBRA. (See Chart) The impact of these changes was particularly severe on the working poor, since well over half the families cut from AFDC were households with earned income.

Instead of adopting the Reagan administration's proposals accompanying the FFY 1985 budget, in June of 1984 Congress passed the Deficit Reduction Act (DEFRA), which included over 20 provisions affecting the AFDC program. Many of these provisions liberalized the program, reflecting Congress' concern that OBRA reductions had been too severe. Some of the most salient provisions are summarized below:

1. Increase in the Gross Income Limit from 150 to 185% of the Standard of Need.

   DEFRA raised the AFDC gross income limit from the existing limit set at 150% of the state's standard of need to 185% of the state's need standard. Under DEFRA, a family of 3 in the Commonwealth is now eligible for AFDC if its gross monthly income is $812.15, rather than $658.50. While it may seem that this provision would make it easier for families with earned income to be eligible for AFDC benefits, few additional families may actually receive AFDC cash benefits as a result of this change because the standard of need, or net income standard which determines payments, was unchanged. However, this provision will extend Medicaid and Emergency Assistance to many poor working families.

2. $75 Work Related-Expense Deduction Standardization

   Under previous policy, working recipients received a work-related expense deduction that was pro-rated by the number of hours worked during the month. DEFRA mandated that all working recipients receive the maximum deduction of $75, regardless of the number of hours worked. The Department of Public Welfare estimates that as many as an average of 6,500 AFDC recipients will be working part time in FY '86. These families will now receive the full $75 deduction, and thus will receive a monthly benefit increase of up to $56.

3. Extension of the $30 Earned Income Disregard

   Under the previous policy, working recipients received a deduction of $30 from their gross income, followed by a further one-third of the remainder before the amount of grant was determined. Working recipients could take this deduction for up to four months. DEFRA requires that the $30 disregard be extended from four to twelve months. The one-third disregard remains unchanged at four months. Working recipients who received the full four months previously allowed are therefore eligible for up to an additional $240 over eight months.

4. $50 Child Support Disregard

   The Commonwealth currently requires AFDC recipients to sign over child support rights to the Department of Public Welfare, so that it may enforce established child support orders and collect regularly on their behalf. DEFRA requires the Department to return the first $50 of child support collected in a month to the recipient without instituting any offset to the individual's grant. This regulation should affect a large number of people, since it is estimated

that currently there are over 18,600 AFDC cases for whom $50 or more of child support is collected each month.

Recognizing the plight of the poor and the devastating impact of OBRA on needy families in the Commonwealth, the Dukakis Administration has also worked with the state legislature to expand AFDC benefits in the Commonwealth, often entirely at state cost. Among the initiatives enacted in FY '85, the Commonwealth provided:

- a 4% cost-of-living increase, a $125 clothing allowance, and a 5% increase in the AFDC standard of need;
- supplemental benefits to compensate participants in the retrospective budgeting system for delays in grant increases when a client loses a job;
- a rent supplement program to assist families with high housing costs; and,
- aid to pregnant women with no other dependents in the first two trimesters of their pregnancy.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	7.625 B	7.737 B	7.779 B	7.686 B
% Change		1.5	.5	-1.2
State Share	260 M	211 M	213 M	223 M
% Change		-18.8	1.0	4.7
State Match	242 M	210 M	212 M	223 M
State Total	502 M	411 M	425 M	446 M
% Change		-18.8	3.4	4.9

In FY '86, the President has proposed several initiatives which are intended to reduce AFDC benefits by an estimated $281 million nationwide. The proposals are:

1. Work Opportunities and Welfare Program

For FY '86, the Administration has again proposed to eliminate the Work Incentive (WIN) program for AFDC recipients and, instead, required states to set up "Work and Opportunity" programs, a slightly modified version of past employment and training proposals. State programs would have to include job search, such as job clubs, and other work activities, e.g., Community Work Experience Programs. Like past proposals, all able-bodied AFDC recipients would be required to participate in these state programs as a condition of eligibility.

HHS estimates that $197 million in benefit savings will result from implementation of these activities. The FY '86 budget also includes $145 million, in addition to the AFDC administrative grant (see below), to defray 50% of state costs of implementation. Thus, the net savings anticipated for FY '86 are $52 million.

This proposal would have a substantial impact on Massachusetts. In effect, it would terminate Massachusetts' current Employment and Training (ET CHOICES) program which provides career assessment services, job-related skills training, and job placement assistance to AFDC recipients. The ET approach developed by the Commonwealth represents a more flexible, and more effective strategy for promoting the long-term economic self-sufficiency of AFDC recipients. During its first 15 months of operation (October 1983 - December 1985), the ET CHOICES program has placed 12,000 recipients in jobs and saved the Commonwealth about $13 million. (For Further Discussion, see WIN Section).

2. <u>End Caretaker Benefits When Youngest Child Turns Age 16</u>

Currently, a family can receive AFDC benefits until the youngest child reaches the age of 18. HHS estimates that ending benefits for the parent or other caretaker relative when the youngest child reaches age 16 would cut $55 million in Federal AFDC benefit payments in FY '86. This would reduce AFDC benefits in the Commonwealth by an estimated $3 million.

3. <u>Require that Single Minor Parents Live With Their Parents to be Eligible for AFDC</u>

Under this FY '86 proposal, states would be required to withhold eligibility from minor parents who have never been married and who establish separate households unless there are certain mitigating circumstances. This proposal would result in an estimated $19 million in Federal savings. AFDC benefits to minor parents would be cut by about $1 million in the Commonwealth if this proposal were enacted.

4. <u>AFDC Administrative Grant</u>

In addition to the above proposals which directly affect AFDC recipients, the Administration is also proposing to freeze grants to states for AFDC administration at the FY 1985 level of $928 million. Under the FY '86 proposal, each state would receive the same proportion of this fixed amount as it received for expenses in FY '84.

Presently, state administrative expenditures for this Federal-State program are reimbursed on an open-ended basis, with the Federal government offsetting 50% of state costs. Higher Federal match rates are provided for certain categories of administrative expenses, such as computer system development.

The Administration estimates that this capping of administrative expenses would result in Federal savings of $54 million in FY '86. In subsequent fiscal years, the total amount available for state administration will be increased by the GNP deflator.

It is estimated that this proposal could cost the state up to $4 million in FY '86. Massachusetts stands to be disproportionally affected because the Department of Public Welfare is presently planning to use combined Federal-State administrative funds to enhance its computer capabilities. In addition to negatively affecting the Department's computerization efforts, the freeze would hurt state initiatives to reduce program error rates since these efforts necessitate increased administrative funding.

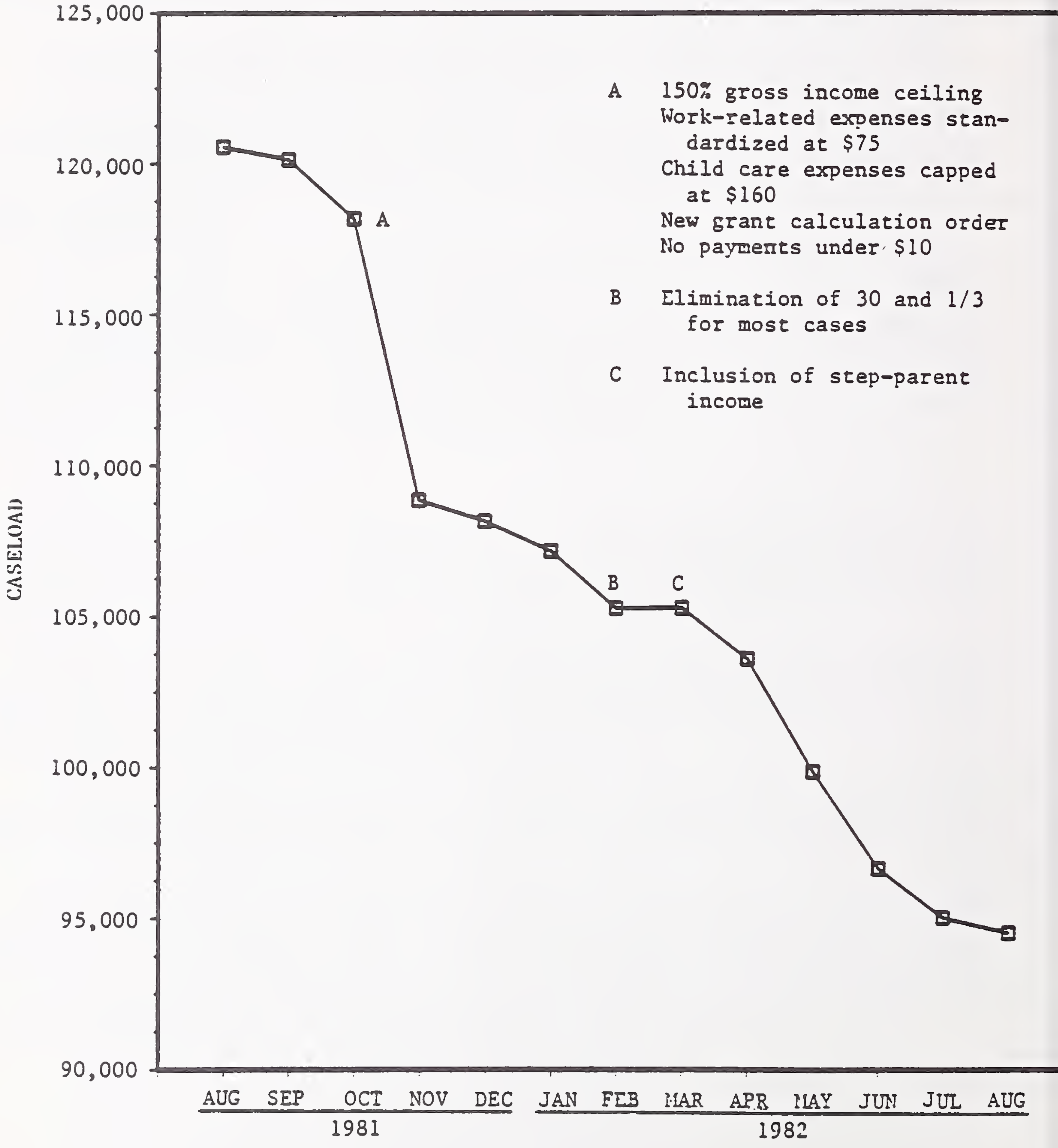
IMPACT OF OBRA REDUCTIONS

OBRA Provision	Annualized Dollar Reductions (in milions)	Caseload Impact
1. Earnings changes 150% gross income cap no payments under $10 standardized work deductions Child Care Deduction Cap Limit 30+1/3 disregard	$54.9 M	16,400 closings 8,212 grant reductions
2. Step-parent Income	$16.3 M	7,833 closings 782 grant reductions
3. 18 to 21 year old dependents	$ 5.0 M	776 closings 2,380 grant reductions
4. Other	$ 8.5 M	450 closings
TOTAL	$84.7 M	25,429 closings 11,374 grant reductions

EFFECT OF OBRA ON AFDC CASELOAD

MASSACHUSETTS

(AUGUST 1981 - AUGUST 1982)



Program Description

Authorized by the Social Security Act, the primary objective of the Work Incentive Program is to promote economic self sufficiency among AFDC recipients. In order to achieve this goal, WIN provides welfare recipients with employment and training services, child care, and other support services.

In general, all able bodied AFDC recipients between the ages of 16 and 65 must register for WIN as a condition of grant eligibility. Single parent families with children less than 6 years of age are among the categories of recipients who are excluded from this requirement.

The WIN Program is 90% federally reimbursed with a ceiling placed on funding available to states for a given year.

The Omnibus Budget Reconciliation Act modified the program by allowing states to pilot WIN demonstration projects. Under the WIN demo authority, states may opt to administer the program through a single state agency. Prior to OBRA, a dual administrative structure with responsibilities shared by a state's employment and welfare agencies was required. WIN demo authority also provided the states with more flexibility in the design of their employment program.

The Program in Massachusetts

In October 1983, the Commonwealth received federal approval and began implementation of a new Employment and Training (ET CHOICES) program. Initiated as an amendment to the state's WIN demo project, ET CHOICES transforms past WIN efforts by focusing on more cost effective employment strategies, limiting the punitive nature of the program, and providing sufficient training and education funds and support services. Though administered by the Department of Public Welfare, DPW is working closely with the Division of Employment Security, the Executive Office of Economic Affairs, Bay State Skills Corporation and state education agencies to achieve its programmatic goals.

ET provides welfare recipients in certain targeted categories with career planning services, job-related skills training and job placement assistance, and supported work opportunities. In addition, support services, such as child care and transportation, are available so that AFDC clients can avail themselves of these options. In targeting its services, ET gives priority to program volunteers, AFDC parents of children between ages 14-18, two parent AFDC families, teenage AFDC parents and teenage children of AFDC parents.

In FY 1985 the state plans to spend $32.5 million for ET services, including $13.5 million for day care. Of this amount, just under $8 million comes from the Federal WIN Demonstration grant.

To date the ET CHOICES program has enjoyed great success. Through January 1, 1985, ET CHOICES has placed 11,924 individuals into employment, a placement rate that is 73% above the goal established at the beginning of the program. These placements have contributed to the decline in the AFDC caseload which is the lowest it has been in over 11 years. ET job placements have also contributed to the Department's savings and revenue agenda. In FY85, the ET program will help the Department save $17.3 million from recipients' grant reductions and case closings. Thus, ET CHOICES offers benefits to

participants, in the form of economic independence, and to the Department, through the reduction of the AFDC caseload. A chart showing the AFDC caseload decline and ET placements on the same time line follows.

Evaluation data from the first year of operation of the program suggests that AFDC recipients leave the ET program prepared to enter employment and that job placements are matched with each individual's education, training and employment goal. Some preliminary results on placement, wage and job retention rates are as follows:

- ET participants were placed into unsubsidized, private sector employment in more than 60 companies located throughout Massachusetts;
- 75% of ET participants were placed into full-time employment;
- The average starting wage for full-time placements was $5/hour;
- 57% of full-time placements received employer-sponsored, private health insurance;
- 85% of ET participants were still employed after thirty days;
- 80% of these participants remain employed after six months.

The following chart shows how a full-time starting wage of $5.00 per hour translates into $9,700 in yearly income versus the average AFDC grant of $4,300 per year.

The Commonwealth believes the effectiveness of the ET program is attributable to several factors:

- voluntary choice of program component by welfare recipients in the ET program;
- program options that emphasize skills training and long-term economic opportunities;
- support services; such as day care and transportation; and
- management initiatives, including accountability of local office ET staff and the development of performance-based provider contracts

FY '86 Budget Proposal

Funding Levels

	FY '81	FY '84	FY '85	Proposed FY '86
National	365 M	271 M	267 M	-0-
% Change		-26	-2	-100
State Share	11 M	8 M	8 M	-0-
% Change		-27	-0-	-100

In every fiscal year since 1983, President Reagan has proposed to eliminate funding

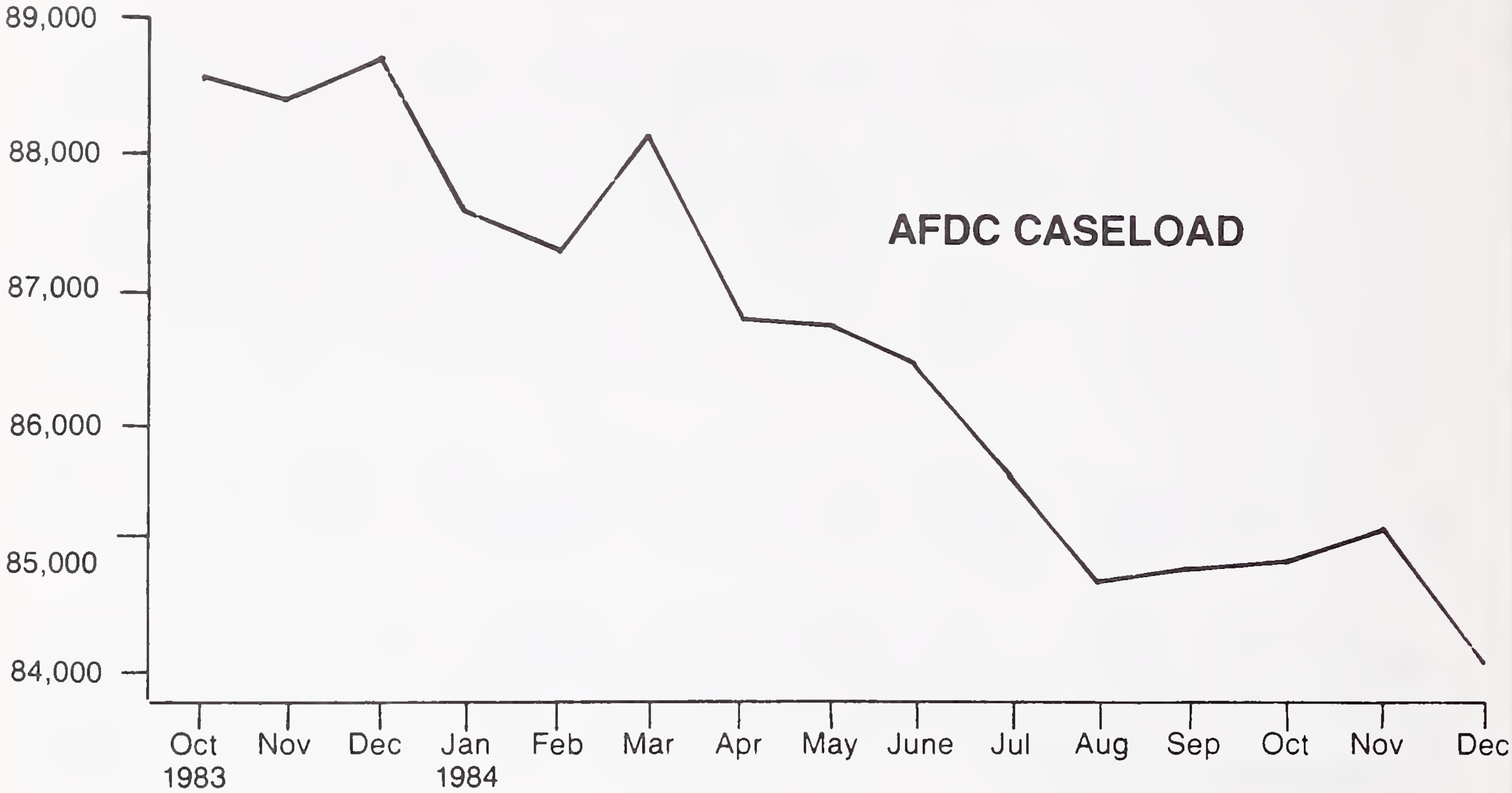
for the WIN program. Instead, the Administration recommended that states be required to set up Community Work Experience Programs (CWEPs). Under the CWEP approach, AFDC recipients would be required to work as a condition of welfare eligibility. The Congress, however, has consistently rejected the Administration's attempts to dismantle the WIN program.

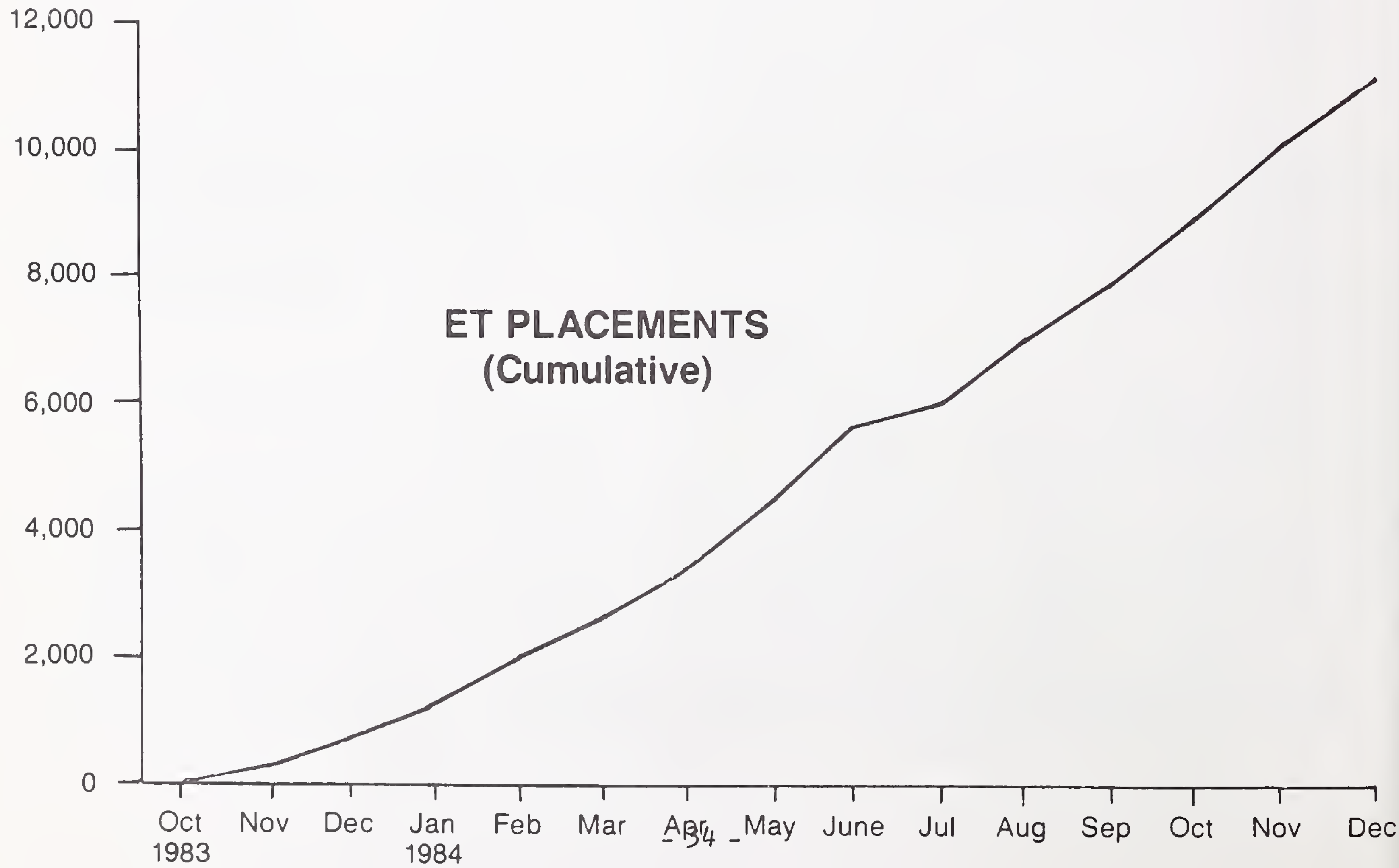
Arguing that this program "has not proven cost-effective," the Reagan Administration is again proposing the termination of the WIN program in FY '86. In its place, the Reagan Administration recommends a new program: "Work Opportunities and Welfare" program. The program represents a modified version of past Job Search/CWEP proposals. Under it, all employable AFDC recipients would be required to engage in job search activities, such as participation in jobs clubs, and other work activities, such as CWEPs, in order to be eligible for benefits. The budget includes $145 million to defray state implementation of these programs. Out of this amount, which would be exclusive of the proposed AFDC administrative grant, states would be reimbursed for 50% of their costs in setting up these programs.

In terms of the Massachusetts WIN program, the FY '86 proposal would result in an $8 million loss of funds to support ET activities. Just as importantly, enactment of the FY '86 proposal would force the Commonwealth to abandon or substantially modify its successful ET CHOICES program.

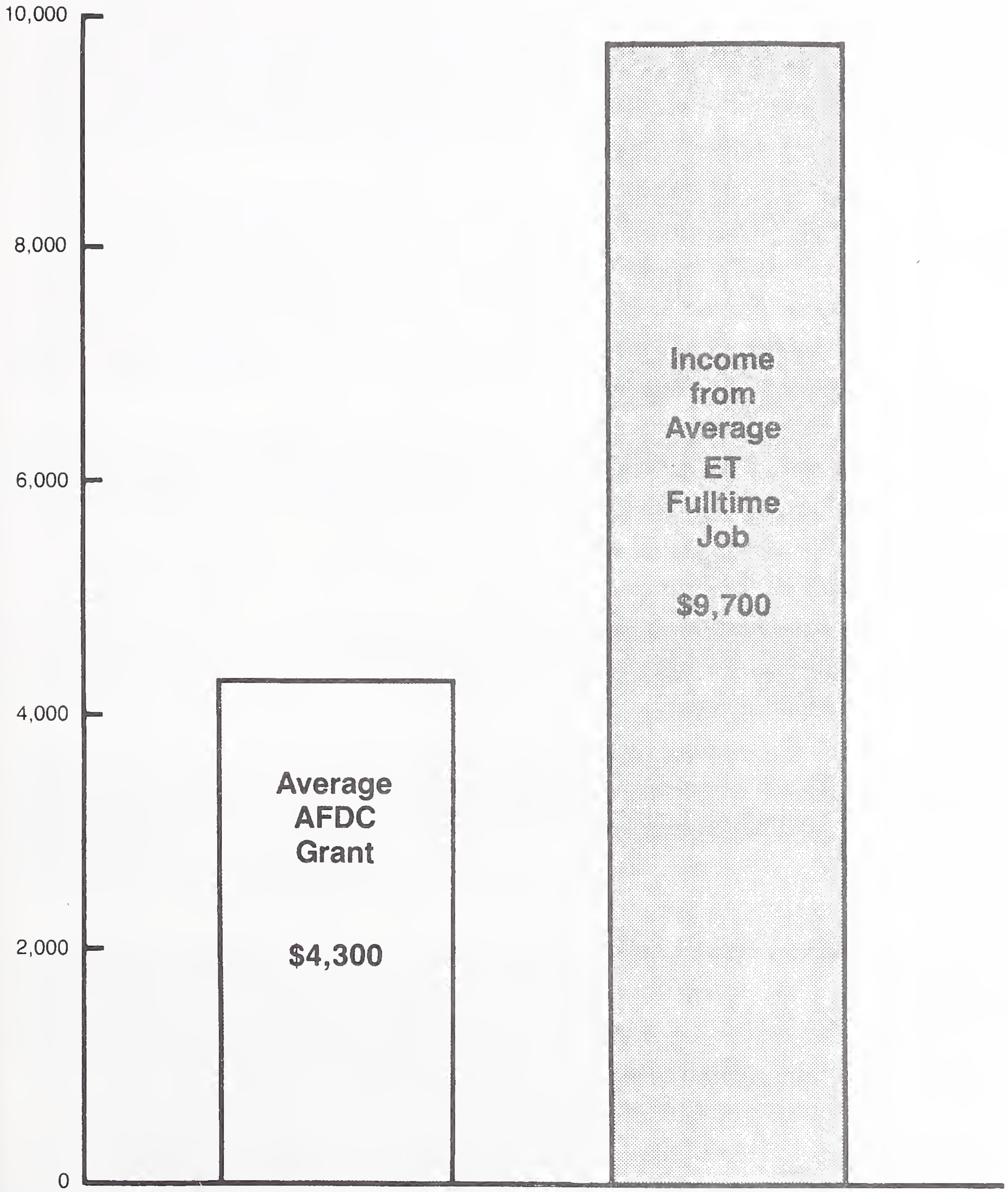
Fostering economic self sufficiency and long-term employment for welfare recipients is a major priority of the Dukakis Administration. The experience in Massachusetts so far indicates that ET, because it provides the necessary training, placement, and support services - targeted to those who can best benefit - does represent a cost-effective strategy for improving the long-term employment prospects of AFDC recipients.

ET PLACEMENTS AND THE AFDC CASELOAD
1983–1984





INCOME: WELFARE VS. WAGES, 1984



Program Description

The Medicaid program provides medical services to low-income persons, particularly members of AFDC families, the aged, blind, and disabled.

Rather than directly providing health care services, Medicaid reimburses medical care providers for services rendered. In accordance with federal regulations, states are required to provide a broad set of medical services to recipients. These mandatory services include inpatient and outpatient hospital care, skilled nursing home care, physician services, home health care, dental, and preventive health care. Massachusetts' optional services include prescribed drugs, intermediate care nursing homes, mental health care, and transportation to obtain medical services.

The eligibility standards for Medicaid are based on income and financial resources. AFDC and SSI recipients are automatically eligible for the program. In Massachusetts, 82% of Medicaid recipients receive AFDC or SSI. All foster children, as well as participants in the Refugee Settlement program are likewise eligible. Massachusetts has also opted to provide benefits to those determined to be medically needy. Households with major medical expenses, except for able-bodied, childless individuals between the ages of 21 and 65, can qualify as medically needy if their net income, after medical expenses, falls below established levels.

Health Care Financing Administration (HCFA) of the Department of Health and Human Services is responsible for monitoring states' compliance with the federal Medicaid regulations. Each state must comply with federal regulations to receive federal reimbursement for Medicaid expenditures.

The Program in Massachusetts

Medicaid is funded by the state and federal governments and administered by the Massachusetts Department of Public Welfare. The Commonwealth, with 2.5% of the national population, currently accounts for 3% of the total national Medicaid expenditures.

The rate at which the Federal government reimburses states for Medicaid expenditures is determined by the per capita income of a state compared to the national average. This Federal Financial Participation (FFP) rate is recomputed every two Federal Fiscal years. In Massachusetts, Medicaid expenditures in FFY '82 and '83 were reimbursed at an FFP rate of 53.56%. Due to the relative strength of the Massachusetts economy, our FFP rate dropped to 50.13% for FFY '84-85 and will suffer a further reduction to the 50% floor in FFY '86-87.

In addition to the FFP reductions resulting from the recalculation of the Medicaid rate, the 1981 Omnibus Budget Reconciliation Act further lowered the state's level of reimbursement. Under OBRA, federal reimbursements to all states were reduced by 3% in FY '82, 4% in FY '83, and 4½% in FY '84. States could qualify for a 1% reduction in this cutback for each of the following conditions that it met:

- a qualified hospital review program
- a state unemployment rate 150% greater than the national average

- a fraud and abuse recovery rate equal to 1% of the state's federal reimbursement.

The 1981 Act also provided for an annual target rate of increase in total federal reimbursement. States that kept reimbursement growth under this prescribed level obtained a dollar-for-dollar credit, or offset, to be applied against the mandated FFP reductions.

In FY 1982 and 1983, the Commonwealth qualified for a 1% offset to the OBRA penalties because of its hospital cost review program. The reductions for FFY '82 and '83 cost the state $36.5 million in Medicaid revenues, impacting in state fiscal years 1984 and 1985. Due to the state's ability to keep Medicaid expenditure growth under the HCFA established targets, Massachusetts is expected to receive a full refund of the FY 1984 reduction.

Congress rejected the Reagan Administration's FY '85 proposal to extend these OBRA penalties for three years at a rate of 3%. That proposal, aggressively opposed by the Massachusetts Congressional delegation would have cost Massachusetts approximately $18 million annually, depending on the offset provisions.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	16.15 B	18.99 B	21.78 B	22.49 B
% Change		17.6	14.7	3.3
State Share of Federal Reimbursement*	601.5 M	651.5 M	756 M	775 M
State match	560.8 M	648.1 M	752 M	809
Total--Massachusetts	1,162.3 M	1,299.6 M	1,508 M	1,584 M
% Change		11.8	16	5

*Estimated Medicaid reimbursements for combined DPW, DMH, and DPH expenditures. 1981 figures are for the state fiscal years - others are estimated Federal fiscal year expenditures.

For FY '86 the Administration is making the following Medicaid proposals:

*Medicaid Growth Cap. In FY 1986, the Administration is proposing to cap total Federal reimbursement for Medicaid at $22.5 billion. This level is about 3% above anticipated expenditures for FY '85, and represents a $1 billion cut from expected FY '86 Federal expenditures for the program. Within the overall spending limit, a state would receive in FY '86 the same proportional share of funds as it expended in FY 1984. Federal payments to states would continue to match state expenditures but only up to each state's individual maximum reimbursement amount. Medicaid expenditures in excess of a state's cap would be funded solely by the state. The Administration is also proposing a separate $300 million "hardship" fund in FY '86 for states with costs over the cap although there is no indication how these funds would be allocated. Federal spending increases in future years

would be limited to inflationary adjustments as measured by the Medical Care Component of the Consumer Price Index.

It is estimated that given Federal reimbursements in FY '84 of about $652 million, Massachusetts' Medicaid cap would be about $775 million. With anticipated Federal Medicaid payments at about $792 million in FY '86, this proposal would shift $17 million in costs to Massachusetts. The expected impact of this proposal will be even higher if the Medicaid department is unable to realize the significant savings targeted in its FY '86 budget. Further, Medicare proposals which result in increased cost to the Medicaid program (see below) above currently projected FY '86 estimates will be borne totally by the state.

Since Medicaid represents an entitlement program, the cost shifting to the state embodied in this FY '86 proposal will not immediately impact on Medicaid recipients. However, this proposal represents a continuation of the trend, begun in this Administration, to increasingly shift programs which historically have been Federal-State partnerships, to state governments. Given limited dollars available at the state level to fund basic human service programs, cost shifting of this magnitude is likely to translate into reductions in programs for the needy.

State Administrative Cost Grants

As in the AFDC program, the President is also proposing to freeze Federal funding for state administration of the Medicaid program at FY '85 levels. In FY '86, the total Federal amount for Medicaid state and local administration, certification activities, and Medicaid fraud control units would be $1.2 billion. This amount would be allocated to states based on each state's relative share of total Federal FY '84 spending for administration.

The Administration expects to save roughly $52 million as a result of this proposal. In Massachusetts, the impact of this proposal could be as high as $4 million. This amount would be lower if Federal matching for computer systems is not included in the grant. As in the case of AFDC, this freeze would also hinder state error reduction efforts.

Changes in the Medicare Program

Most Medicaid recipients who are over 65 years of age also have Medicare coverage. The Medicaid program in Massachusetts pays all the insurance and deductibles for Medicare recipients who have Medicaid coverage at a cost of approximately $20 million a year. In FY '86, the Administration is making a number of recommendations which will have an impact on the state Medicaid program:

* Increase Medicare Part B premiums as a percentage of total program costs by 2% each year, beginning in January 1986. By calendar year 1990, the premium would be set at a rate equal to 35% of estimated program costs. These Part B premiums help pay the cost of primary care and outpatient hospital services for Medicare recipients. This change is expected to raise premiums by $1.30 a month above the current premium of $15.50 in 1986.

* Begin Medicare coverage on the first day of the month following the month in which age 65 is achieved. Currently, eligibility for Medicare begins on the first day of the month in which an individual reaches age 65. If this proposal were enacted, the State Medicaid program would pick up the costs incured in this interim period.

* Index the Part B deductible to the Medicare Economic Index and round to the next higher dollar beginning in calendar year 1987. It is anticipated that this proposal would increase the deductible from the current level of $75 to $78 in 1987. This proposal would not have an impact in FY '86.

The Administration estimates that in FY '86 this proposal will increase revenue for the Medicare program by about $550 million. In Massachusetts, it is expected that the share of this burden in increased Medicare costs which will fall on the Medicaid department will be about $3 million in FY '86. If the President's FY '86 Medicaid cap proposal were enacted, this increased cost would be entirely paid for out of state funds.

One final Medicare proposal should be noted because of its potential impact on Medicaid - and the Massachusetts health care system in general. In FY '86 the Administration is proposing to freeze rates paid to hospitals under the Medicare Prospective Payment System (PPS) at FY '85 levels. Massachusetts would not be directly affected by this change since the Commonwealth has a waiver exempting it from the national PPS. Authorized by Chapter 372, Massachusetts has a cost containment system which includes all payors in a prospective payment system to hospitals. However, HCFA approval of the Massachusetts waiver (which expires in October 1985), hinges on the ability of the State to prove that Medicare costs will be less under the Massachusetts system. Because the FY '86 proposal will freeze PPS at artificially low rates, enactment would make it exceedingly difficult to meet this test thus jeopardizing the Chapter 372 waiver.

The Department of Public Welfare estimates that the Chapter 372 system will save the Medicaid program over $40 million between 1983 and the end of FY '85. If the waiver is not approved and the President's FY '86 Medicaid cap proposal is enacted, increased Medicaid costs would be borne solely by the Commonwealth.

Program Description

The Food Stamp Program provides low-income families with the resources to obtain necessary basic food items. To cover the costs of purchasing food items, coupons are provided to income-eligible households to ensure that a minimum level of resources are available.

Allocations of food stamps are made on a monthly basis, with the amount determined according to household size and level of income. While federal government funding for the food stamps is 100%, administrative costs are shared on a 50/50 basis by the state and federal governments.

Eligibility for the Food Stamp Program is dependent upon income level rather than categorical eligibility requirements. Families with gross incomes below 130% of the poverty level as established by the Office of Management Budget for a given household size are eligible for Food Stamp benefits if they meet net income and assets tests. Only families which include either elderly or disabled individuals are exempt from the aforementioned eligibility criterion. In such cases, eligibility is established by comparing the net income of the individual to the net income standards for the household.

The 1981 Omnibus Budget Reconciliation Act (OBRA) had a substantial impact on Food Stamp recipients nationwide. Among the specific provisions which had a major effect on program eligibility and benefit levels, OBRA:

- Limited gross income to 130% of the poverty level except in the case of elderly or disabled persons. Prior to the Budget Act, Food Stamp eligibility and benefit levels were determined by net income.

- Delayed inflation indexing of the poverty level, the U.S.D.A. Thrifty Food Plan on which benefit levels are based, and the standard deduction used in calculating benefits.

- Lowered the earned income deduction from 20% to 18% of gross earned income.

The Congressional Budget Office has estimated that as a result of legislative changes enacted since 1981, primarily OBRA, Food Stamp benefits have been reduced by almost $7 billion between fiscal years 1982-1985. It is the working poor who have been particularly affected by these reductions.

The Program in Massachusetts

Changes implemented by the Commonwealth pursuant to OBRA resulted in a reduction in total Food Stamp benefits of $2 million between FY 1981 and FY 1982. This nominal reduction, however, substantially understates the true impact of the OBRA cuts. Because Food Stamps represent an entitlement which is tied to household income, expenditures for the program typically follow trends in unemployment. However, Food Stamp benefits in Massachusetts, and the nation as a whole, actually decreased in FY 1982, even though the economy was beginning to suffer the worst recession in post-war history. With implementation of OBRA, an estimated 11,000 fewer families received benefits in FY '82 and the remaining Food Stamp households experienced a real cut in benefit levels.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	11.4 B	11.72 B	11.74 B	11.85 B
% Change		2.8	0.17	0.94
State Share	190.5 M	181.8 M	177.1 M	178.8 M
% Change		-4.5	-2.6	0.94

In FY '85, the states share of food stamps decreased slightly, due to the low unemployment rate in the Commonwealth. However this decrease is somewhat offset by a provision that Congress incorporated into the FY '85 Continuing Resolution which restores benefits from 99% to 100% of the Thrifty Food Plan.

The following are the FY '86 budget proposals:

1) Mandate Food Stamp Recipients to Participate in Community Work Experience Programs (CWEPS).

As in past budget proposals, the President has proposed that Food Stamp recipients be required to participate in Community Work Experience Programs (CWEPs) in exchange for their benefits. These programs are to be administered by the states. In the FY '85 budget proposal, the Administration estimated that $85 M would be saved from CWEPs. This year however, the Administration expects CWEP to result in only $16 M worth of federal savings.

The State contends that CWEPs will not foster increased economic self sufficiency among Food Stamp recipients because it will not provide the necessary employment training and support services. Furthermore, many recipients already have jobs yet rely on Food Stamp benefits to supplement their low earnings. It is likely that the CWEP approach versus improving a recipient's employability through training would actually discourage needy individuals from applying for critical nutrition assistance.

The State has a successful employment and training program for AFDC recipients. This model program focuses on training recipients to become self sufficient and employable instead of merely creating busy work which does not enhance a recipient's employability.

In addition, implementation of CWEPs would put an added burden on state administration of the Food Stamp program. Given the proposed freeze on state administrative funds (see below), this added cost would be entirely funded by state revenue.

2) Federal Cap on Administrative Funds for the Food Stamp Program

In FY '86 the President proposes that the 50% matching formula to states for administrative costs of the Food Stamp Program be eliminated. Instead, states will receive a fixed amount of funds for their administrative expenses. The President estimates that this proposal will result in a reduction of $40.3 M from projected funding levels under current law. The maximum allotment of the Commonwealth's share of administrative costs will be determined by the state's administrative costs in FY '84, compared to total administrative costs of states across the nation.

In FY '86, this would cap the Massachusetts Federal allotment for administrative costs at $18.1 M. The State estimates their FY '86 administrative costs will be approximately $22.2 M, a loss of $4 M to the State.

In 1987 and for future years, increases in payments to states would be set at the rate of growth in the implicit price deflator for the Gross National Product.

Program Description

WIC is a federally funded supplemental food and nutrition education program serving low income women, infants, and children. The purpose of the program is to promote improved health through nutrition during certain critical periods of physical development.

WIC participants receive a set of vouchers each month for specific foods of high nutritional value, such as iron fortified infant formula, milk, and eggs. These coupons can be redeemed at local grocery stores and pharmacies which contract with the state WIC program. In addition, information is provided to WIC mothers to help them care for their nutritional needs and those of their family.

Eligibility for WIC is limited to pregnant, breast feeding, and post partum women, as well as to children under the age of 5 who are identified as nutritionally at risk by a medical evaluation. Further, potential recipients must be under 185% of the official OMB poverty level.

WIC, however, is not an entitlement program. Women and children who satisfy the above criteria are not automatically guaranteed WIC services. Rather, the number of eligible recipients who can actually be served is contingent on a particular state's federal WIC allotment. Currently, WIC reaches about 41% of those low income people in the Commonwealth who are eligible for the program.

Evaluations of the WIC program suggest that it is a particularly cost effective program in terms of the health benefits which accrue to recipients. Results from a Massachusetts study indicate that participation in WIC is associated with a marked reduction in the incidence of low birth weight infants. Further, it estimated that for each dollar spent on the prenatal component of WIC, $3 in hospitalization costs are averted.

The Program in Massachusetts

The Massachusetts WIC program has grown steadily over the past few years, with caseloads more than doubling from 30,000 to 65,000 between FY '82 - FY '84. Emergency Supplemental Jobs Bill funds provided in FY '83 allowed roughly 9,000 more low-income women, infants, and children to participate in the program during that fiscal year. Due to the allocation formula, this increase in caseload brought the Massachusetts WIC program increased Federal funding in FY '84.

Moreover, in response to the findings of the Department of Public Health's 1983 Massachusetts Nutrition Survey, which concluded that chronic malnutrition among low-income preschool children continues to be a significant health problem, the Governor proposed and the State Legislature approved $2.2 million in state dollars for expanding the WIC program in FY '84. As a result, Massachusetts became the first state in the nation to supplement Federal WIC dollars with State funds. This appropriation was responsible for roughly half of the 17,000 participant increase in FY '84. Eight new local programs were supported with state funding, bringing the total to 35 agencies with over 100 sites statewide providing WIC services. The state WIC supplemental was continued in FY '85 and is contained in the Governor's FY '86 budget request.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	900 M	1.36 B	1.424 B	1.48 B
% Change		51	4.7	3.9
State Share	16.5 M	23.4 M	23.9 M	24.3
% Change		41.8	2.1	1.7
State Supplemental		2.2 M	2.2 M	2.2 M
State Caseload*	30,000	65,000	63,000	63,000

*End of year caseload figures; FY '84, '85 and '86 includes caseload funded with state money.

The trend in national funding levels presented above belie the present Administration's repeated attempts to cut the WIC program. In fiscal years 1982-1984, the President's budget proposal has requested substantial WIC cuts. The Congress has consistently rejected these proposals; instead, it has acted each year to increase funds for WIC, providing levels well above the President's budget request.

The President's 1986 budget contains funding reductions for WIC in both fiscal years 1985 and 1986.

In funding WIC for FY 1985, Congress initially appropriated $1.254 billion for the first 10 months of the fiscal year. At the same time, appropriation language directed the Department of Agriculture to apportion these funds on the basis of an annual appropriation of $1.5 billion, the amount required to maintain caseloads at FY '84 levels. In submitting the 1986 budget, however, the Administration is requesting only $1.424 billion for the entire fiscal year, which is $76 million below the amount required to fund WIC at Congressionally mandated levels. Further the President has proposed $1.48 billion in FY '86 which is $20 million below the amount required by the FY 1985 appropriation language.

In Massachusetts, the $96 million in Federal cuts in FY '85 - '86 would translate into an estimated $750,000 reduction over the two fiscal years. The Center on Budget and Policy Priorities estimates that as a result of this proposal approximately 100,000 fewer low income women, infant, and children at nutritional risk will receive WIC services nationwide. Based on the Center's estimates, the Administration's proposal would eliminate services for approximately 2,000 WIC recipients in the Commonwealth in fiscal years 1985-1986.

Program Description

SSI is a federally administered, but partly state-funded income assistance program for elderly (65 and older), blind, and disabled persons with low-incomes. This program is designed as a supplemental source of income to augment other benefits, such as retirement or disability entitlements, that prove to be insufficient. However, it does serve as a basic source of income for those recipients who do not have any other source of financial support.

Benefit levels are determined by the amount of other income received such as wage earnings and Social Security benefits. Payment levels also differ among the aged, blind and disabled. The living arrangements of a recipient are also taken into consideration to determine payment levels. For example, aged and disabled individuals who share living expenses or live in a household of another individual receive lower benefits than individuals who reside alone.

The Program in Massachusetts

While SSI is a federally-administered program and provides a standard benefit amount for its recipients nationally, states may opt to supplement the federal payment. Massachusetts is one of 43 states which provides a supplemental payment plan above the federal standard. Massachusetts' benefit levels are third highest in the nation, behind Alaska and California. In addition, approximately 38% of the approximately 105,000 SSI recipients in the Commonwealth receive a state supplement only because their Social Security benefits place them above the federal SSI benefit standard, but still below the Massachusetts payment standard. The benefits provided to various types of recipients are shown in the table which appears later in this section.

Through FY '84, Massachusetts SSI expenditures had leveled off due to a declining caseload. Expenditures in FY '85 are expected to be higher due to a slight caseload increase and higher rest home vendor payments. The cost of the state supplement to Massachusetts is as follows:

Massachusetts State Supplement
(in thousands)

FY '81	FY '82	FY '83	FY '84	FY '85 (est.)
$115,629	$115,046	$108,359	$107,108	$107,598*

*Does not include the potential offset of a retroactive refund expected to compensate the Commonwealth for prior year overbilling by SSA.

The state's cost is nearly 40% of the total cost of the program in Massachusetts, despite the fact that SSI is a federal benefit program and that both the federal and state payments are administered by the federal government. Despite the high percentage of state supplementation, each dollar of additional income offsets the federal payment to a beneficiary before the state supplement is reduced. This is contrary to other public assistance programs where income increases and disregards offset the federal and state share equally (i.e., AFDC).

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	6.50 B	7.52 B	8.55 B	8.93 B
% Change		15	13	4.4
State Share	129 M	145 M	164 M	171 M
% Change		12	13	4
State supplement	116 M	107 M	107 M	103 M

*The 1984 total reflects only 11 months of benefit payments. This explains the significant increase in funding in 1985, as 1985 represents the normal 12 months of payments

Under the FY '86 proposal the maximum federal benefit levels would be increased by the estimated 4.1% automatic cost of living increase (payable in January 1986). The maximum federal benefit amount is currently $325 per month for an individual and $488 per month for a couple. The estimated maximum benefits for 1986 are $339 for an individual and $508 for a couple.

The President's FY '86 Budget proposal increases federal SSI benefits by $380 million nationally over the FY '85 total funding level. This increase represents the automatic cost of living adjustment in addition to a projected national increase of 35,000 SSI recipients. In FY '86 the state can expect a 4.4% hike in benefit payments or roughly a $7 million increase.

SSI PAYMENT STANDARDS FOR MASSACHUSETTS
EFFECTIVE JANUARY 1, 1985

	Aged	Disabled	Blind
Individual			
Full Cost of Living			
Federal Payment	$325.00	$325.00	$325.00
State Supplement	128.82	114.39	149.74
Total Standard	$453.82	$439.39	$474.74
Shared Living Expenses			
Federal Payment	$325.00	$325.00	$325.00
State Supplement	39.26	30.40	149.74
Total Standard	$364.26	$355.40	$474.74
Household of Another*			
Federal Payment	$216.67	$216.67	$216.67
State Supplement	104.36	87.58	258.07
Total Standard	$321.03	$304.25	$474.74
Rest Home			
Federal Payment	$325.00	$325.00	$325.00
State Supplement	171.58	171.58	149.74
Total Standard	$496.58	$496.58	$474.74
Member of a Couple			
Full Cost of Living			
Federal Payment	$244.00	$244.00	$244.00
State Supplement	100.86	90.03	230.74
Total Standard	$344.86	$334.03	$474.74
Shared Living Expenses			
Federal Payment	$244.00	$244.00	$244.00
State Supplement	100.86	90.03	230.74
Total Standard	$344.86	$344.03	$474.74
Household of Another*			
Federal Payment	$162.67	$162.67	$162.67
State Supplement	107.90	97.09	312.07
Total Standard	$270.57	$259.76	$474.74
Rest Home			
Federal Payment	$244.00	$244.00	$244.00
State Supplement	252.58	252.58	230.74
Total Standard	$496.58	$496.58	$474.74

*One-third of the federal payment standard is deducted as in-kind income for people in this category. The table shows the payment after this computation.

Program Description

The U.S. Department of Health and Human Services administers the Maternal and Child Health Services Block Grant Program which, pursuant to the Omnibus Budget and Reconciliation Act of 1981 (OBRA), consolidated the Title V formula grants for Maternal and Child Health Services, Services to the Handicapped Children, Supplemental Security Income for Disabled Children, Sudden Infant Death Syndrome, Lead Based Paint Poisoning Prevention, Adolescent Pregnancy Grants into one block grant to the states. Funding for Hemophilia Treatment Centers, Genetics Grants Program, and other special projects were consolidated into a portion of the block grant set aside at the national level.

The objectives of the Maternal and Child Health Services Block Grant Program are to provide funds to states:

- to assure that mothers and children, especially those with low-income or limited availability to health services, have access to quality health services;
- to emphasize preventive measures, such as those to reduce handicapping conditions, and to promote the health of mothers and children through primary pediatric and prenatal care;
- to provide rehabilitative services to blind and disabled children eligible for Supplemental Security Income (SSI) under Social Security; and
- to provide comprehensive services to handicapped children.

As with the other health block grants created by OBRA, the price for state administration of the block grant program was very high, since overall funding for these services was cut from a national level of$456 under the categorical programs to $372 million in the first year of the block grant.

The Program in Massachusetts

Massachusetts was able to use carryover funds to blunt the impact of the funding reductions on maternal and child health programs in the first year of the block. This procedure was used to some extent with other health block grants, and the attached chart (Maternal and Child Health Funding, FY '81 - FY '85) is provided to demonstrate how the impact of block grant cuts was initially delayed in the Commonwealth.

In addition, the chart shows the additional funding provided by the Congress' economic stimulation package - The FY '83 Emergency Jobs Bill (P.L. 98-8). The bulk of this supplemental funding was spent in FY 1984 (MCHSBG allows expenditure of funds over a two year fiscal period) to increase services in a number of critical areas, including prenatal care, high-risk infant follow-up, lead paint poisoning prevention and community and clinical services for handicapped children. While Congress succeeded in raising both the authorization and appropriation levels for the MCH Block Grant in FY '85 to the FY '83 "Jobs Bill" levels, Massachusetts and the other states received slightly lower levels of funding than they had in FY 1983. Due to the federal "set-aside" of part of the MCH Block Grant for funding special projects, which did not occur with the emergency supplemental "Jobs Bill" funding in FY 1983, the FY 1985 appropriation for Massachusetts was roughly $350,000 less than the total FY 1983 appropriation.

Services

Massachusetts' Maternal and Child Health Services Block Grant Program is administered by the Division of Family Health Services, within the Department of Public Health. The Division of Family Health Services is divided into the following three units to implement its legislative mandates: Services to Handicapped Children; Maternal and Child Health; and Administration.

Using both the MCH Block Grant and State Funds, DPH provides a wide range of services designed to assure health care for high-risk women, infants and children and to prevent death and disability, including: prenatal, pediatric and adolescent programs; preschool and school health services; lead paint poisoning prevention programs; perinatal programs, including Sudden Infant Death Syndrome (SIDS), Genetics and High-Risk Infant Identification and Follow-UP; and community, case-management and clinical services for handicapped children.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	456.2 M	399 M	478 M	478 M
% Change	Categorical	-16	20	-0-
State Share	7.9 M	7.7 M	9.2 M	9.2 M
% Change		-19	19	-0-

The President's FY '86 budget would fund the Maternal and Child Health Block Grant at the same level as in FY '85, $478 million. Similarly, if the President's proposal is enacted, Massachusetts' MCHS allotment will remain roughly the same as in FY '85. This $9.2 million state share is about $350,000 less than the FY '83 allotment, including jobs bill funds, and represents a real decrease from FY '85 when inflation is considered.

MATERNAL AND CHILD HEALTH FUNDING
FFY 1981 - FFY 1985

	FFY 1981 (Categorical & Formula)	FFY 1982 (Block Grant)	FFY 1983 (Block Grant)	FFY 1984 (Block Grant)	FFY 1985
NATIONAL					
Authorization Level		373 M	373 M	373 M	478 M
President's Request		347.5 M	347.5 M*	373 M	407 M
Appropriation (or continuing resolution)	(456.2 M for Title V & Consolidated Programs)	373 M	478 M	399 M	478 M
MASSACHUSETTS					
Title V Formula or Block Grant	5,950,026	7,142,958	7,162,160 2,371,950 (Jobs Bill)	7,661,399	9,178,317
Categorical Funds Available to other MCH "Consolidated Programs"	1,942,000	1,541,000 (carryover from '81)	0	0	0
Total (MCH Federal Funds Available to "Consolidated Programs" administered by DPH beginning 10/1/82)	7,892,026	8,683,958	9,534,110	7,661,399	9,178,317

*In FY 1983, the President proposed that MCH and WIC be combined in a block grant totalling $1 million.

Program Description

The Office of Human Development Services, under Title IVB of the Social Security Act, funds a range of child welfare activities including services to intact families, services to re-unite families, location of permanent homes or loving situations for children and management and support services for state child welfare, foster care, and adoption services.

The Program in Massachusetts

Child Welfare funds are spent in accordance with the Commonwealth's Title IVB state plan. Agency priorities set forth in the FY '85 plan are:

- To promote quality services to consumers.
- To protect children at risk of abuse or neglect.
- To improve in-home services to prevent placement.
- To increase high quality services to adolescents.
- To maintain a full complement of direct services staff.
- To provide training to DSS employees.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	164 M	165 M	200 M	200 M
% Change		.6	21.2	-0-
State Share	3.2 M	2.9 M*	2.9 M	2.9 M
% Change		-9.4	-0-	-0-

*IV B allotment decreased as a result of Massachusetts' decline in relative population, which is the basis of the IVB formula.

Rejecting the President's proposal to level fund Child Welfare Services, the Congress increased funds for the program by $35 million in FY '85, an increase of over 21% from FY '84. Prior to FY '85 the program had been level funded at $165 million since FY '81.

Massachusetts' share of Child Welfare Services monies has remained roughly constant since FY '81. In order to receive a portion of the increased national appropriation, Massachusetts must enact certain foster care reforms required by Federal statute. With passage of the State Foster Care Review Bill in 1984, Massachusetts is moving toward compliance with these Federal requirements. Once certified by HHS, Massachusetts would receive a share of the increased national appropriation equal to roughly $1.2 million.

In FY '86 the President is again proposing to level fund the Child Welfare Services program.

Program Description

The Department of Social Services expects to receive $203,000 in FY '85 to help prevent and treat child abuse and neglect. This discretionary grant has been awarded to the Department by Health and Human Services since FY 1981. The grant is targeted toward the following priorities:

- timely response to reports of child abuse and neglect;
- development of services specifically for adolescent parents and victims of sexual abuse;
- use of volunteers and other intensive family support services in order to reduce family stress and thus reduce the risk of abuse and neglect;
- training for Department staff and mandated reports of child abuse or neglect; and
- promotion of public awareness of the problem of child abuse and neglect and how a citizen can respond if it is suspected.

FY '86 Budget Proposal

Child Abuse and Neglect Funding Levels

	FY '81	FY '84	FY '85	Proposed FY '86
National	6.7 M	6.7 M	9.0 M	9.0 M
% Change		-0-	34	-0-
State Share	$174,000	$157,000	$203,000	$203,000
% Change		-9.7	+29	-0-

In FY '85 the President's Budget requested level funding of the Child Abuse State Grants for the fourth consecutive year at $6.7 million. Congress, on the other hand, appropriated an additional $2.3 million which brought the FY '85 total funding to $9 million. The Administration's FY '86 budget requests level funding at $9 million. The state can expect to receive the same grant award of $203,000 in FY '86 as they did in FY '85.

Program Description

The Rehabilitation Services Act of 1973 is a major source of federal funds for the vocational rehabilitation of disabled persons. Reimbursement for vocational services is also funded under the Social Security Act for those receiving disability insurance payments under Social Security or SSI benefits.

The Program in Massachusetts

The Act is the primary federal funding source for the Massachusetts Rehabilitation Commission. MRC receives 85% of the state's rehabilitation grant, while the Commission For The Blind (MCB) receives 15%. Both agencies provide vocational rehabilitation services that assist disabled persons in seeking and retaining employment.

Services to the disabled include: evaluation of rehabilitation potential, diagnosis, counseling, guidance and referral services, vocational training, physical and mental restoration services, maintenance, transportation, services to families to enhance adjustment of handicapped persons, and job placement. Other services include interpretive and reader services to the deaf, and orientation and mobility services to the blind. MRC and MCB prepare an individualized rehabilitation program for each client based on their needs evaluation.

In FY '84, Congress rejected the Administration's proposal to fund the basic vocational rehabilitation state grant program at FY 1984 levels. Instead, it appropriated $1.1 billion for the program, a 6% increase over FY '84. The state expects to receive $25.9 million in FY '85, $22.1 million to MRC and $3.8 million to MCB.

The program requires a 20% state match which is made from the state's general fund. In FY '85, as in past years, the state appropriation will exceed the amount needed to meet its matching requirements.

MRC served about 33,000 people in FY '84 and successfully rehabilitated 4,800 people who are now working or functionally independent in the community. An additional 18,000 people are referred to the Commission each year. This program is highly cost effective. According to MRC, for every $1 spent on rehabilitation services, $30 is saved or received by government through reduced medical costs, support payments, and increased taxes over the client's lifetime.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	854 M	1.038 B	1.1 B	1.1 B
% Change		21.5	6	-0-
State Share	19.7 M	23.5 M	25.9 M	25.9 M
% Change		19.3	10.2	-0-

In FY '86, the President is proposing to level fund the vocational rehabilitation grant at FY '85 levels. This proposal would keep the state share roughly constant at $25.9 million. The Administration contends that this amount will allow state vocational

rehabilitation agencies to provide services to the same number of clients in FY '86 as in FY '85. However, given an anticipated inflation rate of over 4%, this proposal would have a real impact on the level of services which can be provided to the disabled.

SSI and SSDI

The Omnibus Budget and Reconciliation Act of 1981 altered the mechanism by which funds are provided to states for vocational rehabilitation services for SSI and SSDI recipients. Prior to OBRA, funds were distributed to states in advance of the actual provision of services. Funds for SSI clients came from the U.S. General Fund and monies for SSDI recipients were allocated from the Social Security Trust Fund. OBRA changed the program from advance grant funding to a post-service reimbursement process.

In fiscal year 1981, the state received $2.6 million to serve SSI and SSDI recipients. In contrast, by the close of FFY '84, the state had received only $250,000 in reimbursements since OBRA.

The reimbursement process has required extraordinary documentation on the part of state agencies and has been much slower in making payments than originally anticipated. The President has not proposed any new initiatives to deal with these extensive delays in the reimbursement process.

Independent Living Centers

In 1978, Congress authorized a series of Independent Living programs designed to allow handicapped persons who may have limited employment potential to live in the community, outside nursing homes and chronic hospitals. In FY '85, Congress appropriated $22 million nationally with funds for the program awarded on a competitive basis.

As a leader in this area, MRC has received an annual amount of $600,000 since FY '82 to develop and provide independent living programs. Eight individual programs are currently operational in the following areas: Amherst, the Berkshires, Boston, Bridgewater, Lawrence, and Worcester. Two of these offer independent living services to special populations, the deaf and the mentally ill.

	FY '81	FY '84	FY '85	Proposed FY '86
National	19.4 M	19.4 M	22 M	22 M
% Change		-0-	13	-0-
State Share	450,000	600,000	600,000	600,000
State Supplement	-0-	300,000	377,000	622,000 *
State Total	450,000	900,000	977,000	1.220 M
% Change		100	9	25

*includes funds requested for independent living services for "Turning 22" clients (Chapter 688). The "Turning 22" population refers to those developmentally disabled students who lose their entitlement to special educational services and require help to "transition" into the adult habilitative system.

The Administration has proposed freezing funding levels for Independent Living Centers at FY '85 levels. Likewise, the state share of funds for Independent Living would remain constant in FY '86, representing a decrease in terms of real dollars.

Independent Living Services

Against the wishes of the Administration, in FY '85 the Congress appropriated $5 million nationally for Independent Living Rehabilitation Services. This marked the first time that funds were appropriated for this program, authorized by Title VII A of the Rehabilitation Act. Title VII A funds purchase services, such as homemaker chore services, for independent living clients not eligible for traditional vocational rehabilitation services. In FY '86, the President has proposed eliminating this program, which will provide $95,000 to the Commonwealth in FY '85.

	FY '85	Proposed FY '86
National	5 M	-0-
% Change		-100
State Share	95,000	-0-
% Change		-100

Program Description

On October 1, 1981, the U.S. Department of Health and Human Services established the Primary Care Services Block Grant Program for the Public Health Service's Section 330 Program, Community Health Centers Funding, pursuant to the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35.

The objective of the Primary Care Services Block Grant Program is to provide funds to states for providing primary health services to medically underserved populations in rural and urban areas through primary care centers, with emphasis on services to low-income persons, especially elderly and children. Like other block grants, the legislation provided for state assumption of a program previously run by the federal government.

The Program in Massachusetts

Since the beginning of this new program, Massachusetts has not applied for administration of the Primary Care Services Block Grant Program. Instead, the state decided to develop a "Cooperative Agreement" with the Bureau of Community Health Services, within the Public Health Services Administration. Under this agreement, implementation, planning, and funding decisions for this program's administration are shared by federal and state governments.

The reasons for the Commonwealth's decision not to administer the Primary Care Services Block Grant include concern over the impact of the matching requirements, the potential for increased administrative costs and the projected adverse impact of the cash flow to health centers currently funded directly by the federal government. In Massachusetts, funding would require a contract mechanism under which providers would be reimbursed for services delivered.

Funding*

FY '81	FY '84	FY '85
$5.6 M	$5.7 M	$5.7 M

*Massachusetts receives approximately 4.3% of the total allocation to Region 1.

In FY '81, the U.S. Public Health Services Section 330 Program provided a base funding allocation for 26 community health centers (CHCs); after the federal funding reductions mandated by the Omnibus Budget Reconciliation Act of 1981, only 16 CHCs received Section 330 funding.

In FY '83, the Massachusetts Legislature appropriated $1.0 million in new funds to support the operating costs of the CHCs. These funds were appropriated to partially mitigate the impact of federal funding reductions. This state supplement was continued in FY '84 and '85 with appropriation levels of $1.1 million and $1.3 million respectively. For state fiscal year 1986, the Governor is requesting $1.3 million for this program.

Applications for these monies are sought from eligible community health centers on an open competitive basis through the RFP process. Thirty seven centers currently receive funding through this state appropriation.

Services

The 70 CHCs in Massachusetts provide the following services: primary care; pediatric; ob.-gyn.; mental health; social services, adult medicine; and other specialty health services (depending on the CHC) such as dental, nutrition, podiatry, and pyschiatric.

The CHCs estimate that they are responsible for over 1.3 million patient vists per annum to Massachusetts health centers.

FY '86 Budget Proposal

Community Health Centers (CHCs)

	FY '81	FY '84	FY '85	Proposed FY '86
National	325	350	360	360*
% Change		7.6	2.8	-0-
State Share	5.6 M	5.7 M	5.7 M	5.7 M
% Change		1.7	-0-	-0-

*This number represents the CHCs share incorporated into the President's proposed Primary Care Block Grant. Total block grant funding level for FY '86 is $550 million.

Last year, Congress recognized the States' unwillingness to assume responsibility for administering the Primary Care Block Grant and passed authorizing legislation which would have eliminated the Primary Care Block Grant and returned the program to its pre-OBRA format.

The President vetoed the legislation since it provided funds directly to CHCs instead of mandating the states to administer the program as a block grant. Despite the veto, Congress was able to appropriate FY '85 funds totalling $360 million for CHCs, in effect, authorizing a categorical program for one year.

As in FY '85, the Administration's FY '86 budget proposes to consolidate CHCs, Migrant Health, Black Lung programs and Family Planning into a block grant. Programs included in the block grant would be level funded at their FY '85 level.

Because of the level funding, the state share for primary care services would remain constant at $5.7 million for the third consecutive year. Due to inflation this would significantly impact the CHCs' ability to provide health services to the medically underserved throughout the Commonwealth.

Program Description

The Social Services Block Grant was created in 1981, when the Omnibus Budget Reconciliation Act (OBRA, P.L. 97-35) provided for a consolidation of Title XX Social Services, Day Care and Training programs into a block grant. As with other consolidations in OBRA, the Social Services Block Grant funding level was cut from the level of the programs merged to create the block. Massachusetts funding in the first year of the block dropped from $78.9 million under Title XX to $60.4 million under SSBG. The national appropriation was cut $500 million dollars from $2.9 billion in FFY 1981 to $2.4 billion in FFY 1982.

The scope of services that may be funded under the Social Services Block Grant is very broad and are all linked to the following five objectives:

1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;

2) achieving or maintaining self-sufficiency, including reducing or preventing dependency;

3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families;

4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and

5) securing referral or admission for institutional care when other forms of care are not appropriate or providing services to individuals in institutions.

The Program in Massachusetts

Until July 1, 1984, Massachusetts' share of the Social Services Block Grant was placed directly in the state's General Fund, a practice continued from the old Title XX program. Massachusetts agencies involved in social services had their funds appropriated to them by the Legislature as part of the state budget process. Those services eligible for SSBG funding were tracked and SSBG funds were used to offset these state expenditures. This allowed Massachusetts to continue to fully fund Social Services expenditures after the OBRA cut, although the loss of $18.5 million was a direct loss to the General Fund.

Beginning in SFY 85, in a major shift on the DSS financing system, SSBG dollars have been allocated directly to the administrating agencies. While this change has had a significant effect on agency administration, overall spending priorities have not been affected.

Massachusetts has two designated Social Services Block Grant administering agencies: the Department of Social Services (DSS), and the Massachusetts Commission for the Blind (MCB). DSS, MCB, and the Executive Office of Human Services (EOHS) have developed an interagency agreement by which the block grant funds are allocated annually between DSS and MCB. Under this agreement DSS receives 98% of block grant funds and MCB receives 2%.

Services and Clients

The Services provided by DSS are listed on the 1985 SSBG pre-expenditure report. (See following chart). DSS serves a monthly average of 24,715 families, and 71,083 consumers. MCB provides the following services: rehabilitation, teaching, orientation and mobility, talking book services, counseling, information and referral, case management, diagnostic and evaluation, advocacy, transportation, housing, infant stimulation, camps, etc.

MCB provides social and rehabilitation services to approximately 22,000 individuals.

FY '86 Budget Proposal.

	FY '81	FY '84	FY '85	Proposed FY '86
National	2.9 B	2.7 B	2.725 B	2.70 B
% Change		-6.9	0.9%	-0.9
State Share	78.9 M	66.97 M	67.7 M	67.07 M
% Change		-15.1	9	-.9

The FY '86 President's budget proposal cuts the Social Services Block Grant (SSBG) by $25 million. In 1984 Congress appropriated $25 million to be spent in FY '85 by the states to develop training for child abuse prevention and day care. The Administration contends that this was a one time expenditure, thus legitimizing the $25 million reduction in SSBG funds in FY '86.

The President, as he did last year, proposes to consolidate the Community Services Block Grant (CSBG) into the SSBG. In addition the Administration's budget proposes to abolish the Legal Services Corporation claiming that there is sufficient authority under the SSBG to fund legal services for poor citizens. In FY '85, $368 million was appropriated for the CSBG and $305 million was appropriated for the Legal Services Corporation. The inclusion of these programs at their FY '85 funding level into the SSBG plus the $25 million reduction, would result in a $698 million drain on the SSBG in FY '86 or a 25% decrease in funding, from FY '85.

National	FY '85	FY '86	Change
SSBG	2.725 B	2.70 B	-.025 B
CSBG	368 M	-0-	-368 M

Overall the consolidation of CSBG into the SSBG would reduce funding for the program by $368 million nationally in FY '86, a cut of 13.5%.

Massachusetts Share

	FY '85	Proposed FY '86
SSBG	67.70 M	67.07 M
CSBG	8.7 M	-0-
Total	76.4 M	67.07 M

This proposal would result in an $9.3 million loss to the state.

Social Services Block Grant
Annual Pre-Expenditure Report

DEPARTMENT OF SOCIAL SERVICES
1985

	Total Expenditures
DIRECT SERVICES	
Staff (0200 account)	$ 38,354,622
PURCHASED SERVICES	
A. Supportive Resources	
1. Babysitting	$ 1,000,000
2. Camping	593,062
3. Chore	824,699
4. Day Care	52,066,839
5. Homemaker	4,588,414
6. Parent Aide	861,743
7. Respite Services	3,460,244
B. Collateral Services	
1. Comprehensive Emergency Services	561,742
2. Information & Referral	360,721
3. Hotline	688,599
C. Treatment Resources	
1. Counseling	22,138,494
2. Family Planning	1,111,448
3. Mediation	432,877
4. Protective Assessment/ Evaluation	48,986
5. Services to Women in Transition	3,106,714
6. Services to Young Parents	2,339,244
D. Substitute Care	
1. Emergency Shelter	3,677,710
2. Substitute Care	63,276,394
E. Adoption and Guardianship	
1. Adoption	1,076,835
2. Subsidized Adoption/ Subsidized Guardianship	7,217,511
Subtotal Purchased Services:	170,061,276
Support	
Regional Accounts	29,654,588
Central Accounts	6,659,905
Subtotal Support:	36,314,493
TOTAL DSS:	244,730,391

Program Description

On October 1, 1981, the U.S. Department of Health and Human Services established the Preventive Health and Health Services Block Grant which consolidated the Emergency Medical Services, Health Education/Risk Reduction, Hypertension Control, Fluoridation, Rodent Control, Health Incentives, Rape Prevention and Control, and Home Health Services Programs, pursuant to the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

The objective of the Preventive Health and Health Services Block Grant Program is to provide funds to states for:

- preventive health services for individuals and families, especially those of limited means;
- a variety of public health services to reduce preventable morbidity and mortality; and
- improve the quality of life.

As with the creation of the other health block grants within OBRA, the new block grant was funded at a lower level than the sum of the categorical programs — in this case at 85% of the previous funding level.

The Program in Massachusetts

The Preventive Health and Health Services Block Grant in Massachusetts is administered by the Department of Public Health. The Department of Public Health maintained funding levels for the eight program areas covered by the Preventive Health and Health Services Block Grant at approximately the same levels as before. This was done to minimize programmatic disruption during the transition to the block.

The Department of Public Health has focused increasingly on the need to set priorities for use of these limited funds. Setting priorities may ultimately lead to a redistribution of funding allocations for FY '86.

A number of criteria will be used to assess the appropriate funding levels for each of the block grant areas. These criteria include the following:

1. magnitude of public health problem addressed by the program

   A. nature of the problem
   B. number of people affected

2. modifiable causes for the problem have been identified

3. interventions are available which can reduce or eliminate the causal factors and thereby reduce the magnitude of the problem

4. cost of the program relative to accomplishments

5. whether the program has set rigorous goals and objectives and whether it has accomplished them

6. whether the program is federally mandated at a specific level.

The summary chart which follows compares funding levels for the eight programs within the Preventive Health and Health Services Block Grant to the original categorical funding levels. The overall impact of the reductions were staggered, however, because six of the eight areas were spending FY '81 categorical funds into FY '82. As with other block grant programs, the Department of Public Health requested proposals and through contracts purchases services in the eight programs areas.

Program Area	FY '81	FY '84	FY '85
Emergency Medical Services	$1,377,349	$1,048,133	$1,048,133
Health Education/ Risk Reduction	467,310	355,744	402,324
Hypertension Control	429,494	335,694	335,694
Fluoridation	319,189	243,529	243,529
Rodent Control	298,000	226,816	226,816
Health Incentives	202,000	152,803	152,803
Rape Prevention and Control	(-)[1]	80,427	87,427
Home Health Services	46,000	33,426	33,426
TOTAL	$3,139,342	$2,476,572	$2,530,152

[1] DMH categorical program prior to FFY '82

Services

Within the program areas listed above, the Department of Public Health provides the following services: basic Emergency Medical Training courses; community water fluoridation; technical assistance and funding for community intervention projects in health education and risk education (e.g., cigarette smoking and high blood pressure control programs); environmental health programs, such as radiation control and community sanitation programs; rodent control; and rape victim services (e.g., counseling and statewide educational efforts about sexual assault).

FY '86 Budget Proposal

PH&HSBG Funding Levels

	FY '81	FY '84	FY '85	Proposed FY '86
National	93.2 M	88 M	89.5 M	89.5 M
% Change		-6	+2	-0-
State Share	3.1 M	2.5 M	2.5 M	2.5 M
% Change		-19	-0-	-0-

In FY 1986, the Administration is proposing to level fund the Preventive Health Services Block Grant at FY '85 levels. Given increases in cost due to inflation, this amount represents a decrease in real terms.

Further, under the FY '86 proposal Massachusetts' share of funds for Preventive Health Services would remain less than in FY 1981, the year prior to the creation of the block. Thus, like many of the other health block grants, this program has never fully recovered from the severe budget cuts initiated by the 1981 Budget Act.

ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH SERVICES (ADAMHS) BLOCK GRANT (HHS)

Program Description

On October 1, 1981, the U.S. Department of Health and Human Services established the Alcohol, Drug Abuse, and Mental Health Services Block Grant Program which consolidated prevention, treatment, and rehabilitation programs for alcohol and drug abuse, and mental health services, pursuant to the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35.

As with the other block grants authorized by OBRA, funds for alcohol, drug abuse and mental health services were reduced drastically at the time of consolidation. In the case of the ADAMH Block Grant, the loss to Massachusetts was over $7.6 million. Even with "jobs bill" and other Congressionally-initiated increases, federal funding for this program in Massachusetts is $6.4 million less this year than in FY '81.

The Program in Massachusetts

In Massachusetts, the Alcohol, Drug Abuse, and Mental Health Services Block Grant is administered by the Executive Office of Human Services, which allocates the funds to the Department of Public Health (DPH) for the Alcohol and Drug Abuse portions of the grant and the Department of Mental Health for the mental health services portion of the grant. The block grant requires that specific percentages be earmarked for mental health services and for alcohol and drug abuse services. The earmarks for FY '85 are 56% for mental health services and 44% for alcohol and drug abuse services.

The funds in the mental health portion of the block grant augment the Department of Mental Health's efforts to broaden the availability and accessibility of community mental health services to needy and high risk populations. The alcohol and drug abuse funds support the Department of Public Health's efforts in alcohol and drug abuse prevention, treatment and rehabilitation.

Funding (State Share)

FY '81	FY '84	FY '85
$24.6 M	$18.24 M	$18.24 M

This block grant program was reduced by approximately 32% in FY '82 when converted to a block grant. Consequently, each administering agency initiated funding decisions which attempted to maintain proportional funding levels within budgetary restraints. Mitigating the impact of the funding reductions was the availability of FY '81 funds which were "rolled over" into FY '82 programs; however, these carry-over funds were insufficient to totally compensate for the reduced funding levels.

A small increase in FY '83 occurred due to the enactment of P.L. 98-8, the Emergency Jobs Bill. The increase was partially sustained in FY '84. It is important to point out that although the additional funds provided by the jobs bill allowed for increased expenditures in Massachusetts, increasing service capacity is difficult with "one-shot" money since increased programming may not be able to be sustained from year-to-year.

Despite a nationwide ADAMHS funding increase in FY '85, Massachusetts' allotment remained the same as in FY '84. This resulted from a change in the funding formula

enacted during the last session of Congress as part of the program's reauthorization. Effective for fiscal year '85, the new formula allocates state shares on the basis of relative per capita income and population. Prior to FY '85, a state's ADAMHS share was based on its percentage of funds received under the categorical programs consolidated into the block. Due to its aggressive use of pre-block grant programs, Massachusetts has received a disproportionate share of funding based on these two indices. In fact, a strict application of the new formula would have resulted in an actual decrease in funding from FY '84. A "hold harmless" provision in the legislation, however, kept the Massachusetts' share at the FY '84 level.

In addition to the funding formula change, the FY '85 reauthorization also establishes two new set asides within the ADAMHS program. Each state, as a condition of receiving ADAMHS funds, is required to allocate 5% of its total block grant allotment to initiate and expand alcohol and drug abuse services for women. Similarly, states are required to set aside 10% of their mental health allotment for new services for severely disturbed children and adolescents and to establish comprehensive community mental health services for unserved and underserved areas or groups. Given that the state's FY 1985 grant is level funded, the Commonwealth will have to pay for the expanded services either by using state monies or by defunding other programs now supported by the block grant.

Services

The Mental Health component of the ADAMHS Block Grant Program funds community mental health centers which provide the following services: out patient services; 24-hour a day emergency services; day treatment or other partial hospitalization services; consultation and education services; and screening for patients considered for admission to state mental health facilities to determine the appropriateness of such admissions.

The alcohol component of the ADAMHS Block Grant Program funds the following services: detoxification system; halfway houses; outpatient counseling; driver alcohol education; regional area primary prevention; ambulatory programs; and special (early intervention) projects, such as minority, women, and youth programs.

The drug component of the ADAMHS Block Grant Program funds the following services: inpatient detoxification centers; residential treatment and methadone outpatient services; residential therapeutic communities; methadone maintenance; increased prevention efforts.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	\$ 540 M	\$ 462 M	\$ 490 M	\$ 490 M
% Change	---	-14.4	6.1	-0-
State Share	24.6 M	18.24 M	18.24 M	18.24 M
% Change	---	-25.8	-0-	-0-

The President's FY '86 budget proposes to fund the ADAMHS Block Grant at its FY '85 level of \$490 million. This proposal would leave the Massachusetts share of the block at 18.24 M in FY '86, the same amount allocated to the state in both fiscal years 1984 and 1985. Moreover, the FY '86 share remains \$6.4 million less than in FY '81, the year prior

to creation of the block. Thus, in both real and nominal terms FY '86 funding for alcohol, drug abuse, and mental health services would remain substantially below pre-OBRA levels.

Program Description

The National Health Planning and Resource Development Act of 1974 first appropriated health planning funds for the states. Each state receives between $90,000 to $1.0 million in such funding based on per capita data for the population within the service area.

Under the National Health Planning Act, federal funding for state health planning agencies was authorized through federal fiscal year 1982. A debate has been underway in Congress for some time as to whether the Act should be reauthorized, and if so in what form. While this debate has been going on, federal funding for health planning for fiscal years 1984 and 1985 has been provided under various continuing resolutions that maintain a national funding level of about $19 million for state planning agencies such as the Massachusetts Office of Health Policy (OHP). This is a substantial reduction from previous levels — as recently as 1981, the figure was $32 million nationally. A variety of bills ranging from reauthorization of the Act with some modifications, to creation of a completely new block grant approach to planning, have been introduced, and may be considered in the coming session.

The Program in Massachusetts

Massachusetts' Health Planning Program is administered by the Office of Health Policy (OHP), within the Executive Office of Human Services. OHP utilizes these funds to provide coordination of the Commonwealth's health care policies. This policy development and implementation function works to ensure that all of the Commonwealth's health care and social service agencies are working together in an effective and coherent manner. The primary policy initiatives of the Office include:

- improving the health status of the citizens of Massachusetts;
- controlling hospital and health care costs by ensuring that the Commonwealth's existing cost containment programs are operating in an effective and equitable manner;
- enhancing the ability of populations in need to have access to the appropriate health care and public welfare services (e.g., participate in the development of a Low Income Health Plan);
- ensuring that the Commonwealth has comprehensive and progressive policies in the following areas:
    - Mental Health and Mental Retardation
    - Long Term Care
    - Child Health and Child Abuse
    - Ambulatory Care
- development of the annual Massachusetts State Health Plan, which addresses these three areas: health status; health care costs; and geographic and financial access to quality health care; and
- provision of technical assistance to Health Systems Agencies (HSAs)

FY '86 Budget Proposal

The following table illustrates how state funds have been added to protect the integrity of our health planning efforts as Federal support has declined in terms of both nominal and real dollars.

	FY '81	FY '84	FY '85	Proposed FY '86
National	32 M	19 M	19 M	-0-
% Change		-41	-0-	-100%
State Share	622,000	372,000	373,000	-0-
% Change		-40	-0-	-100%
State Supplemental	230,000	633,000	813,000	815,000

In FY '86 President Reagan once again proposes to totally eliminate funds for the Health Planning Program. The Health Planning Program in Massachusetts is actively involved in the major health care cost containment legislation in the state: Chapter 372 - Hospital Cost Containment, which established a new reimbursement methodology, and Chapter 553 - Determination of Need Program, which is applicable to all new renovation and construction of hospitals and nursing homes. This program has been an integral component in the nation's and state's cost containment efforts to combat rapidly escalating health care costs.

Without these federal funds, the state would be forced to either curtail its Health Planning Program activities or to dramatically increase state supplemental funds.

EXECUTIVE OFFICE OF ECONOMIC AFFAIRS

JOB TRAINING PARTNERSHIP ACT

Program Description

Programs authorized under the Job Training Partnership Act (JTPA) are administered for the most part through state and local units of government to provide training and employment assistance to low-income and unemployed youth and adults. The JTPA, which was enacted as a successor to the Comprehensive Employment and Training Act (CETA) of 1973, began full program operations on October 1, 1983.

JTPA transferred responsibility for the administration of the basic training and employment development programs from the federal government to the states. Private sector involvement was strengthened in the planning and design of these programs at both the state and local levels through the State Job Training Coordinating Council and the local Private Industry Councils (PICs), respectively. JTPA contains strong requirements for coordination of services among service delivery areas (SDA's), the Employment Service, educational institutions and other vocational services in the local areas. From a budget prospective JTPA instituted two significant changes: First, the Act changed the funding and program operation cycle from a federal fiscal year basis (October 1 - September 30) to a program year basis (July 1 - June 30). Second, the Act provided for multi-year funding of the program to allow for a longer term, more rational, planning process.

There are 5 separate titles under JTPA. Each title authorizes programs for specific target groups or activities:

Title I	Delivery system and Administrative requirements
Title II-A	Block grants to states for employment and training services for economically disadvantaged youth and adults and long-term unemployed
Title II-B	Summer Program for economically disadvantaged youth between the ages of 14 and 21
Title III	Dislocated worker program to assist individuals who become unemployed because of technological change as well as long-term shifts of the economy or industrial base
Title IV	National emphasis programs including Job Corps, Native Americans, migrants, veterans, labor market information and research
Title V	Wagner-Peyser and Work Incentive Program amendments

Programs authorized under Title II-A, B and III are planned and administered through direct grants to states. Title IV programs are administered federally by the U.S. Department of Labor and operated through public or private organizations in local communities. Title V, which supports State Employment Security Agency activities (Job Service) will be discussed separately below.

Block grant monies are distributed to local Service Delivery Areas (SDA's) within each state according to the same allocation formulas used to allocate among states. Of the total amount allocated to each state under Title II-A, 78 percent will be distributed to

the service delivery areas and the remaining 22 percent is retained by the Governor to be distributed for the following purposes:

> 8 percent for Education Activities
> 3 percent for Training the Elderly
> 6 percent for Performance Awards to local SDAS
> 5 percent for other State Costs for Administration, State Costs, Auditing, Technical Assistance, Statewide Training Activities, etc.

Summer youth program funds are allocated within the State by the Title II-A block grant formula. Dislocated worker program monies are distributed at the discretion of the state, in FY 1984 and 1985 Title III funds were distributed by an RFP process.

Program in Massachusetts

The Office of Employment and Training Policy within the state Executive Office of Economic Affairs administers the JTPA program for the Commonwealth. The Governor's State Job Training Council established policy and planning guidance.

The state is divided into 15 local Service Delivery Areas. Each of these areas has an administrative unit that plans and provides training programs and services with the advice and approval of the local Private Industry Council.

FY '86 Budget Proposal

The funding cycle for JTPA programs was established on a 12-month program year basis (July 1 - June 30) rather than a fiscal year basis (October 1 - September 30). In order to facilitate comparisons with appropriation levels from previous years and to aggregate the funding levels from the various Federal programs administered in the State, Program Year appropriations will be used as proxies for fiscal year funding levels for FY '84, '85, '86 as follows:

FY 1984 = transition year October 1, 1983 - Juen 30, 1984

FY 1985 = PY '84, July 1, 1984 - June 30, 1985

FY 1986 = PY '85, July 1, 1985 - June 30, 1986

The budget authority for PY '85 (FY '86) was enacted in FY '85 for programs under Titles IIA and III at essentially the same levels as for PY '84 (FY '85). An additional $100 million was added to the FY 1986 Summer Youth Program appropriation for a total of $825 million for the summer of 1985.

The Fy 1986 budget request proposes rescissions in PY '85 (FY '86) of $119.5 million for the Title III Dislocated Worker Program and $100 million for the Title IIB Summer Youth Program to result in new obligational authority of $103 million for the Dislocated Worker Program and $725 million for the Summer Youth Program in FY 1986. The justification for the rescissions was excessive carry-over from the previous year in both programs. According to the budget, the appropriation for the summer of 1984 proved larger than could be effectively utilized and, therefore, the carry-over makes the additional $100 million appropriation unnecessary for the summer of 1985. The excess carry-over in the Title III program, according to the budget, has resulted because fewer displaced workers have indicated a need for extensive retraining services, the most expensive of authorized activities, and therefore the total program is much less costly

than anticipated. The budget contends that even with the rescission, the carry-over plus $103 million in new obligational authority will provide the same level of service.

We project that with reallocated carry-over funds, the PY '85 allocation to Massachusetts for the Summer Program will be close to the PY '84 level.

The original PY '84 Title III allocation to Massachusetts was $2.9 million. However, the State received a special $1 million supplement in mid-year. With reallocated carry-over funds we project the PY '85 allocation to Massachusetts to be close to the original PY '84 allocation of $2.9 million.

As he did last year, the President again proposes to introduce legislation to permit the payment of a subminimum wage to youth 19 and under during the summer months. Congress did not approve similar proposals submitted in FY '84 and FY '85.

Table I
Block Grants to States for Employment and Training Programs for Low Income Youth and Adults and Long Term Unemployed[1]
Actual Funding Levels
(Includes Summer Program)

	FY '81	FY '84[2]	FY '85[3]	Proposed FY '86[4]
National	5,836.0 M	2,699.0 M	2,934.0 M	2,714.0 M
% Change	---	-54	+9	-7
State Share	126.8 M	57.5 M	58.7 M	57.7 M
% Change	---	-54	+20	-2

[1]FY 1981-83 includes programs authorized under CETA Titles II ABC, II D, IV (YETP/YCCIP/SYEP), VI and VII. FY 1984-85 includes programs authorized under JTPA Titles II A, II B (Summer) and III.

[2]9-month appropriations annualized. Actual 9-month funding levels are shown on Table IV.

[3]Funding levels are for the 12-month Program Year July 1, 1984 - June 30, 1985.

[4]Funding levels are for the 12-month program year July 1, 1985 - June 30, 1986.

Table II
Block Grants to States for Employment and Training Programs for Low Income Youth and Adults and Long Term Unemployed[1]
Actual Funding Levels
(Excludes Summer Program)

	FY '81	FY '84[2]	FY '85[3]	Proposed FY '86[4]
National	5,023.0 M	1,974.0 M	2,109.0 M	1,989.0 M
% Change	---	-57	+7	-6
State Share	104.3 M	40.7 M	40.1 M	39.1 M
% Change	---	+60	-1	-2

[1]For FY 1981-83, includes programs authorized uncer CETA Titles II A B C, II D, IV (YETP/YCCIP), VI and VII. For FY 1984-85 includes programs authorized under JTPA Titles II A and III

[2]9-month funding levels, annualized. Acutal 9-month allocations are shown on Table IV

[3]Reflects 12-month Program Year July 1, 1984 - June 1985

[4]Reflects 12-month Program Year July 1, 1985 - June 30, 1986

Table III
Summer Program for Economically Disadvantaged Youth
Actual Funding Levels

	FY '81	FY '84	FY '85	Proposed FY '86
National	831 M	725 M	825 M	725 M
% Change	---	-12	+12	-12
State Share	22.5 M	16.8 M	18.6 M	18.6 M
% Change	---	-25	-10	-0-

Table IV
Block Grants to States by Program Category
Actual Funding Levels

National Appropriation

	FY '81	FY '84[a]	FY '85[b]	Proposed FY '86[c]
Grants to states[d]	5,023.0 M	1,414.0 M	1,886.0 M	1,886.0 M
Summer program	813.0 M	725.0 M	825.0 M	725.0 M[e]
Dislocated worker	---	70.7 M	223.0 M	103.0 M[e]
Total	5,836.0 M	2,209.7 M	2,934.0 M	2,714.0 M

State Share

	FY '81	FY '84	FY '85	Proposed FY '86
Grants to states	104.3 M	29.3 M	36.2 M	36.2 M
Summer program	22.5 M	16.8 M	18.6 M	18.6 M[e]
Dislocated worker	---	1.6 M	3.9 M	2.9 M[e]
Total	126.8 M	47.7 M	58.7 M	57.7 M

[a] 9-month appropriation only (October 1, 1983 - June 30, 1984)

[b] 12 month program year July 1, 1984 - June 30, 1985

[c] 12 month program year July 1, 1985 - June 30, 1986

[d] FY 1981-83 includes authorized uncer CETA Titles III A B C, II D, IV (YETP/YCCIP), VI, VII

[e] The FY '86 budget proposes recissions of $119.5 million in the FY '85 Dislocated Worker program and $100 million in the Summer Youth Program for 1985. However, the budget suggests that excess carry-over from previous years will allow at least the same service levels to be provided during FY '86.

UNEMPLOYMENT INSURANCE

Program Description

The Unemployment Insurance system provides financial compensation to eligible unemployed workers. The basic program which provides 26 weeks of benefits is funded by a tax on employers within each state and is administered by the State Employment Security Agencies (SESA). State agencies receive federal funds from the U.S. Department of Labor to cover costs of administration to pay out benefits from the state UI trust fund and to collect state unemployment taxes from employers. State agencies also pay out benefits provided from federal funds to former federal employees and to those eligible for trade adjustment assistance and federal supplemental compensation.

Unemployment benefits will be paid nationally to an estimated average 2.41 million jobless workers a week in 1985, and an average 2.28 million jobless workers a week in 1986. The total unemployment benefits to be paid are estimated at $15.3 billion in 1985 and $14.8 billion in 1986. The estimates for workers receiving benefits are based on an average insured unemployment rate of 2.8 percent in both 1985 and 1986. The average total unemployment rates used in the development of the 1986 budget are 7.0 percent for FY 1985 and 6.9 percent for FY 1986.

Program in Massachusetts

The Unemployment Insurance System is administered by the State Division of Employment Security through 42 local offices.

In recent years Massachusetts has experienced relatively low unemployment rates compared to many other states. As of December 31, 1984, the state's unemployment rate was 4.4 percent compared to a national rate of 7.2 percent. Massachusetts' rate was consistently the lowest among the nation's 10 largest industrial states during the past year. As a result, while many states with chronically high unemployment rates have exhausted the funds in their unemployment insurance trust funds and have had to borrow funds from the federal government to meet their UI benefit obligations, Massachusetts has run a surplus and, as of December 1984, had a balance of $762.1 million in its trust fund. Even so, the state unemployment insurance system served an average 40,000 claimants per week during calendar year 1984.

FY '86 Budget Proposal

Unemployment Insurance Program
Administrative Grants

	FY '81	FY '84	FY '85	Proposed FY '86
National[a]	INA	1.54 B	1.55 B	1.64 B
% Change	---	---	+1	+6
State Share	25.4 M	30.2 M	35.2 M	35.2 M
% Change	---	+20	+17	-0-

[a]Includes contingency funds

Because of the state's low unemployment rate relative to other states, we anticipate level funding of FY' 86, even though the proposed national funding level will increase.

The major change to the UI system in the FY 1986 Budget request is a proposal to introduce legislation to transfer the administration and financing of the State Unemployment Insurance and Employment Services from the federal government to state governments beginning in 1988.

In addition the budget proposes to rescind all unused funds as of January 1985 in the Trade Adjustment Assistance Program on the basis that these funds are not needed because trade impacted workers can be served by theJTPA Title III Dislocated Worker Program. The amount to be rescinded is estimated to be $25 million.

Unemployment Compensation: Fiscal 1984
(in millions of dollars)

Region and State	Regular Benefits	Extended Benefits	Federal Supplemental Compensation	Total	State Total a Percent National To
New England					
Connecticut	168.2	0.0	20.9	189.1	1.1
Maine	60.9	0.0	11.6	72.5	0.4
Massachusetts	354.3	0.0	13.6	367.9	2.2
New Hampshire	30.5	0.0	1.5	32.0	0.2
Rhode Island	68.8	0.0	13.9	82.7	0.5
Vermont	32.2	0.0	4.4	36.6	0.2
Total	714.9	0.0	65.9	780.8	4.7
Mid-Atlantic					
Delaware	30.7	0.0	2.6	33.3	0.2
Maryland	204.0	0.0	24.2	228.2	1.4
New Jersey	653.9	0.0	65.6	719.5	4.3
New York	1,173.6	0.0	186.9	1,360.5	8.1
Pennsylvania	1,115.5	0.4	308.9	1,424.8	8.5
Total	3,177.7	0.4	588.2	3,766.3	22.5
Midwest					
Illinois	879.8	0.2	286.0	1,166.0	6.9
Indiana	187.9	0.0	55.1	243.0	1.5
Iowa	154.3	0.0	34.2	188.5	1.1
Michigan	664.1	0.4	151.6	816.1	4.9
Minnesota	254.6	0.0	39.2	293.8	1.8
Ohio	684.5	0.0	219.3	903.8	5.4
Wisconsin	373.3	0.2	69.5	443.0	2.7
Total	3,198.5	0.8	854.9	4,054.2	24.3
Northeast	3,892.6	0.4	654.1	4,547.1	27.2
Midwest	3,198.5	0.8	854.9	4,054.2	24.3
Northeast and Midwest	7,091.1	1.2	1,509.0	8,601.3	51.5
South	2,880.0	28.7	684.3	3,593.0	21.5
West*	3,904.9	12.1	605.3	4,522.3	27.0
South and West	6,784.9	40.8	1,289.6	8,115.3	48.6
U.S. Total[1]	13,876.0	42.0	2,798.6	16,716.6	100.0

*Figures for Missouri are included under West: Regular Benefits -- $166.5 million; Extended Benefits -- $0.0; Federal Supplemental Compensation -- $20.6 million; Total -- $187 million; State Total as a Percent of National Total -- 1.1.

[1]U.S. figures do not include funds for Puerto Rico or the Territories.

SOURCE: Staff calculations from U.S. Department of Labor, Employment and Training Administration, computer printout series ETA 5159, November 1984.

Outstanding Interest-Bearing UI Loans and Interest Incurred Between April 1982 and December 1984
(in thousands of dollars)

Region and State	Outstanding Loans	Interest Charged	Interest Paid	Interest Outstanding	Total Amount Outstanding
New England					
Connecticut	32,930	9,332	9,332	0	32,930
Maine	0	0	0	0	0
Massachusetts	0	0	0	0	0
New Hampshire	0	0	0	0	0
Rhode Island	0	0	0	0	0
Vermont	0	0	0	0	0
Total	32,930	9,332	9,332	0	32,930
Mid-Atlantic					
Delaware	0	0	0	0	0
Maryland	0	0	0	0	0
New Jersey	0	0	0	0	0
New York	0	0	0	0	0
Pennsylvania	661,147	179,118	52,052	127,066	788,213
Total	661,147	179,118	52,052	127,066	788,213
Midwest					
Illinois	378,781	142,571	42,067	100,503	479,284
Indiana	0	0	0	0	0
Iowa	37,558	22,796	22,796	0	37,558
Michigan	245,678	118,880	38,786	80,094	325,772
Minnesota	86,231	33,072	33,072	0	86,231
Ohio	636,483	179,711	57,131	122,580	759,063
Wisconsin	407,810	81,264	25,788	55,476	463,286
Total	1,792,541	578,294	219,640	358,653	2,151,194
Northeast	694,077	188,450	61,384	127,066	821,143
Midwest	1,792,541	578,294	219,640	358,653	2,151,194
Northeast and Midwest	2,486,618	766,744	281,024	485,719	2,972,337
South	1,210,628	213,012	173,050	39,962	1,250,590
West*	50,122	15,551	7,825	7,726	57,848
South and West	1,260,750	228,563	180,875	47,688	1,308,438
U.S. Total[1]	3,747,368	995,307	461,899	533,407	4,280,775

*Figures for Missouri are included under West: all columns are zero.

[1]U.S. totals do not include funds for Puerto Rico or the Territories.

SOURCE: Staff calculations from data prepared by U.S. Department of Labor Unemployment Insurance Service, Division of State Program Management, Tax Administration Group, December 1984.

Program Description

Under the Wagner-Peyser Act, as amended by JTPA, grants for the Job Service are made to states under a formula based on each state's share of civilian labor force and of unemployed individuals. These grants support 100 percent of the cost of job search and placement services to job seekers, and recruitment and special technical services for employers. Employment services designed to meet national needs are performed with additional grants to cover the costs under specific agreements in accordance with the act. National activities to be financed in FY 1986 include special services to veterans, collection of general purpose labor market statistics, determinations of labor needs under immigration laws, and administration of the Targeted Jobs Tax Credit Program.

Program in Massachusetts

The Job Service in Massachusetts is operated by the State Division of Employment Security through 37 local Job Service offices throughout the state.

The Massachusetts Job Service plans to place over 75,000 individuals in jobs in PY '84. This total will include over 14,000 economically disadvantaged, 8,500 dislocated workers, 9,300 veterans and 27,000 youth. The Job Service will co-sponsor with seven JTPA service delivery areas (SDA's) projects specifically aimed at helping dislocated workers to secure new employment.

During PY '84 (FY '85) the Job Service plans to develop and expand the labor market information programs for which it has primary state responsibility in order to better serve the needs of the public as well as employers in the Commonwealth.

FY '86 Budget Proposal

JOB SERVICE

National Budget Authority

	FY '81	FY '84[a]	FY '85[b]	FY '86[c]
Allotments to states	INA	716.1 M	740.4 M	703.4 M
National Activities	INA	20.1 M	52.6 M	28.7 M
Labor Market Information	INA	20.4 M	0	0
TJTC	INA	20.0 M	0	0
Veterans Employment Services	INA	107.6 M	109.3	111.4 M
DVOP	---	(58.8)M	(59.2)M	60.8 M
LVER	---	(48.8)M	(50.1)M	50.6 M
Total	831.0 M	1,067.6 M	902.3 M	843.6 M
% Change			-15	-7

State Allocations

	FY '81	FY '84[a]	FY '85[b]	Proposed FY '86[c]
Job Service	17.3 M	14.0 M	15.1 M	14.9 M
Veterans Employment Svc.	1.2 M	2.8 M	2.7 M	2.8 M
TJTC	.2 M	.4 M	.5 M	0
Total	18.7 M	17.2 M	18.6 M	17.4 M
% Change		-8	+8	-6

[a] FY' 84 = October 1983 - June 1984

[b] FY '85 = July 1, 1984 - June 30, 1985

[c] FY '86 = July 1, 1985 - June 30, 1986

In order to promote closer planning and coordination between Job Service activities and JTPA employment and training programs, funds for the basic job service operations are appropriated under Title V of JTPA on a 12-month Program Year basis (July 1 -June 30) rather than a Fiscal Year basis (October - September). In order to facilitate comparisons with prior years and to aggregate appropriations for other Federal programs administered by the state, Program Year funding levels are being used as proxies for Fiscal Year appropriations for FY '84, '85 and '86.

A total of $740.4M was enacted for state formula allotments in FY 1985 for Budget Authority in FY '86 (PY '85). The FY '86 budget proposes to rescind $37 million from the appropriation on the basis that that amount is not needed to meet current services levels. This rescission will result in a reduction of about $300,000 in what otherwise would have been received in formula allocation.

Legislative authority for the Targeted Jobs Tax Credit Program (TJTC) that provides tax incentives to employers to hire disadvantaged persons from certain target groups is scheduled to expire December 31, 1985. The Administration does not intend to request an extension even though the program has been very successful in many states and especially in Massachusetts.

The FY '86 budget also proposes a 45 percent decrease in the appropriation for national activities.

The Administration also proposed legislation in the FY '86 budget request to transfer responsibility to the states for managing and financing their employment services and unemployment insurance services. The proposed legislation would become effective in 1988 in order to allow time for states to change their laws. The rationale for the proposal is to encourage greater efficiency and provide states more flexibility in carrying out their programs. Currently about 97% of the grants to states are financed by the Federal Unemployment Tax levied on employees. The budget request includes a proposal to reduce the Federal Unemployment Tax to free up tax resources for the state. Certain employment services designed to meet national needs would continue to be financed with grants under specific agreements with the states.

EXECUTIVE OFFICE OF COMMUNITIES AND DEVELOPMENT

Program Description

Title I of the Housing and Community Development Act authorizes the Secretary of HUD to make grants to units of general local government and to states for the funding of local community development programs.

Congress has carefully defined the activities eligible for funding under the Community Development Block Grant (CDBG) program. A wide range of projects are eligible for CDBG funding, such as the acquisition and disposition of real property, construction of public facilities projects, rehabilitation of housing and business properties, economic development assistance, and provision of a variety of public services.

Activities undertaken are on the basis of local priorities.The recently enacted Housing and Urban Rural Recovery Act of 1983 mandates that 51 percent of CDBG funds must be used to benefit low- and moderate-income persons over a three year period.

Legislation, enacted in 1981, revised the method of fund distribution under the Block Grant program. After deducting a designated amount for the Secretary's Discretionary Fund, the balance of funds appropriated for the Community Development Block Grant program is split on a 70/30 percent basis for Entitlement and Nonentitlement (Small Cities) fund categories, respectively. The Secretary's Discretionary Fund is used for making grants to Indians, U.S. Territories, and for providing technical assistance in carrying out the purpose of the Act.

Entitlement funds are allocated by formula among certain cities and counties which are eligible to receive grants on an entitlement basis. Any city, which is designated as a central city of a Metropolitan Statistical Area (MSA), or any other city in an MSA which has a population of at least 50,000 and any county in an MSA which has an eligible population of 200,000, are entitled to receive grants. In 1985, approximately 796 cities and counties have entitlement status.

Nonentitlement funds are allocated by formula among the states. Presently, states have the option of awarding and administering grants to nonentitled units of government. Where the state does not so elect, HUD assumes these responsibilities for the state.

Formula Allocation

The 1974 Act, as amended, provides for the distribution of funds to eligible recipients for community development purposes utilizing dual formulas. Under current law, a recipient receives the higher of its allocation under either the original formula or a second formula incorporated in 1977. The two formulas are described below:

ORIGINAL FORMULA	SECOND FORMULA
Poverty - 50%	Poverty - 30%
Population - 25%	Population growth lag (1960-1980) - 20%
Overcrowded housing - 25%	Age of housing stock - 50%

The dual formula legislation, enacted in 1977, was based on the recognition that the original formula did not assess adequately the relative needs of older urban centers.

The Program in Massachusetts

The Commonwealth of Massachusetts has 31 communities which receive CDBG funds through the entitlement portion. In FY '85 these 31 cities were awarded approximately $76.3 million in program funds. In FY '86, under the President's proposal, these same communities would receive approximately $69 million. This figure represents a 10 percent reduction, which Congress must approve.

Massachusetts has also elected to administer the non-entitlement portion of the CDBG program for small cities. In FY '85 Massachusetts received $27.6 million to allocate to cities under 50,000 population. In FY '86, the Commonwealth's small communities will compete for only $24.8 million if the Reagan Administration cut is accepted by Congress.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	3.7 B	3.5 B	3.5 B	3.1 B
% Change	---	-5	-0-	-10
State Share Entitlement (large cities)	N.A.	73.3 M	76.3 M	69 M
% Change		-0-	4	-10
State Share Entitlement (small cities)	N.A.	27.6 M	27.6 M	24.8 M
% Change		-0-	-0-	-10

The dual formula legislation, enacted in 1977, was based on the recognition that the original formula did not asess adequately the relative needs of older urban centers.

The President proposes a 10 percent cut in CDBG program funding in this budget proposal. If this recommendation is approved by Congress during this session, the program will lose $389 million in FY '86. The President is also proposing legislation which would alter the current distribution of entitlement and nonentitlement funds from 70/30 percent to 60/40 percent.

The White House is calling for such a change in allocation, so that states may provide assistance to units of general local government to undertake more of the community development activities currently funded by the Farmers Home Administration

CDBG: FY '85 Entitlement & Amounts

Community	Allocation Amount
Arlington	$ 1,140,000.00
Attleboro	467,000.00
Boston	22,368,000.00
Brockton	1,506,000.00
Brookline	1,378,000.00
Cambridge	3.408,000.00
Chicopee	1,257,000.00
Fall River	2,959,000.00
Fitchburg	1,197,000.00
Framingham	528,000.00
Gloucester	665,000.00
Haverhill	1,216,000.00
Holyoke	1,599,000.00
Lawrence	2,148,000.00
Leominster	498,000.00
Lowell	2,308,000.00
Lynn	2,920,000.00
Malden	1,552,000.00
Medford	1,728,000.00
New Bedford	2,979,000.00
Newton	2,169,000.00
Northampton	710,000.00
Pittsfield	1,529,000.00
Quincy	2,134,000.00
Salem	1,121,000.00
Somerville	3,094,000.00
Springfield	4,529,000.00
Waltham	987,000.00
Westfield	414,000.00
Weymouth	626,000.00
Worcester	5,166,000.00
MASSACHUSETTS TOTAL	$ 76,300,000.00

Program Description

Thirty percent of the CDBG funds are awarded to states for communities under 50,000 population who are not receiving funds as an "entitlement community."

The Program in Massachusetts

The state awards grants in two primary categories:

1) Community Development: Stimulating declining neighborhoods by addressing the problems which influence neighborhood health, safety, or vitality, while at the same time ensuring that existing neighborhood residents can benefit from these improvements.

2) Economic Development: Stimulating economic growth and development thereby creating or retaining jobs in the community and strengthening the local economy.

Eligible activities include items such as: property acquisition, improvement and disposition; residential and commercial rehabilitation loans; grants, or interest write-downs; housing counseling, rehab and industrial assistance; public improvements to leverage private investment; business development assistance; reduced interest loans (to do any of the above); and grant management and administration.

The primary objectives of this program are:

1) Municipal Development - meeting the physical and economic revitalization needs of Massachusetts' communities; and develop their central cores;

2) Neighborhood Development - meeting the physical, social and economic needs of low and moderate-income people through a process which includes active citizen participation;

3) Community Development and Social Services - meeting needs of low and moderate-income people through linking community development activities and social services;

4) Energy Efficiency - encourage more efficient use of energy resources through designing projects that promote this goal;

5) Capacity Building - increase local capacity to more efficiently, effectively and equitably implement MSCP programs;

6) Accessibility - integrate other public and private funding sources to more appropriately and fully fund comprehensive community development projects.

7) Main Street Program - helps communities strengthen their local economy by improving the appearance of their downtown areas.

Grants are awarded for one or two years and range from $100,000 to $700,000 per year per award. Normally, about 30% of the awards are approved for two year proposals. Funding for the second is contingent upon federal appropriations in the subsequent year

and EOCD approval. In FY '85 Massachusetts received $27.6 million for small cities in this program.

From the total CDBG program, 30% of the funds are set aside for distribution to states for nonentitlement communities. Two formula options are used to determine each state's allocation ratio. The first formula considers each state's relative share of population in nonentitlement areas, extent of poverty and the extent of overcrowding. The second option includes each state's relative population, age of housing stock and extent of poverty. Final allocations are prorated on the basis of each state's ratio under the most favorable option.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
State Share	26.5 M	27.6 M	27.6 M	24.8
% Change	---	4	-0-	-10

MASSACHUSETTS SMALL CITIES PROGRAM

1984 AWARDS

COMMUNITY	FY '84
Adams	$687,000
Athol	600,000
Belchertown	291,000
Bellingham	275,000
Beverly	365,000
Blackstone	450,000
Charlemont	216,500
Charlton	556,343
Chelsea	500,000
Dudley	409,000
Easthampton	409,380
Erving	378,000
Everett	700,000
Greenfield	700,000
Hull	460,000
Maynard	415,000
Melrose	470,000
Methuen	575,000
Middleborough	250,000
Millville	625,000
Newburyport	200,000
North Adams	600,000
Oxford	387,200
Peabody	700,000
Plymouth	600,000
Provincetown	570,000
Revere	550,000
Southbridge	275,000
Spencer	500,000
Taunton	246,000
Ware	570,000
Wareham	440,000
Watertown	450,000
Webster	636,000
West Springfield	500,000
Winthrop	602,500
Woburn	365,000

Administrative costs and other expenses are not included.

Community Development Block Grants: Fiscal 1984
(in millions of dollars)

Region and State	CDBG: Fiscal 1984 Total Allocation	Entitlement Communities	State Nonentitlement	Section 108 Loan Guarantees Issued, Cumulative Fiscal 1978 to 1984
New England				
Connecticut	39.3	28.9	10.4	2.0
Maine	16.3	5.0	11.3	0.0
Massachusetts	104.3	76.7	27.6	37.1
New Hampshire	10.5	3.8	6.6	0.0
Rhode Island	17.0	12.9	4.1	0.0
Vermont	6.4	0.8	5.6	0.0
Total	193.8	128.1	65.6	39.1
Mid-Atlantic				
Delaware	7.7	6.0	1.6	1.0
Maryland	55.2	47.0	8.2	4.2
New Jersey	110.6	102.3	8.3	4.5
New York	370.8	328.5	42.3	39.1
Pennsylvania	221.2	176.9	44.4	29.6
Total	765.5	660.7	104.8	78.3
Midwest				
Illinois	187.9	154.7	33.2	10.5
Indiana	66.3	37.4	28.9	32.5
Iowa	38.2	13.3	24.9	1.2
Michigan	137.5	105.6	31.8	169.0
Minnesota	54.9	33.2	21.7	5.8
Ohio	160.3	115.6	44.7	22.7
Wisconsin	60.6	34.7	25.8	1.6
Total	705.7	494.5	211.0	243.2
Northeast	959.3	788.8	170.4	117.4
Midwest	705.7	494.5	211.0	243.2
Northeast and Midwest	1,665.0	1,283.3	381.4	360.6
South	914.8	502.4	412.4	72.8
West*	701.4	531.4	170.0	132.8
South and West	1,616.2	1,033.8	582.4	205.6
U.S. Total[1, 2]	3,281.1	2,317.1	963.9	566.2

*Figures for Missouri are included under West: CDBG: Total Allocation -- $73.7 million; Entitlement Communities -- $49.6 million; State Nonentitlement -- $24.1 million; Section 108 -- $35.3 million.

[1]U.S. figures do not include funds for Puerto Rico or the Territories.
[2]Figures may not add due to rounding.

SOURCES: Staff calculations from U.S. Department of Housing and Urban Development, Office of Community Planning and Development, unpublished data from Report Code C13RACA/B10131, April 16, 1984; Loan Guarantee Authority (Section 108) unpublished data, December 31, 1984.

Program Description

Section 119 of the Housing and Community Development Act of 1974, as amended, authorizes grants to cities and urban counties which are experiencing severe economic distress to help stimulate economic development activity needed to aid in economic recovery. Assistance may be provided to communities which meet minimum standards of physical, economic, or fiscal distress; have demonstrated results in providing housing for persons of low- and moderate-income; and have demonstrated results in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. Pursuant to the Housing and Community Development Amendments of 1979, assistance also may be provided for economic development and neighborhood revitalization projects targeted to severely distressed areas - "pockets of poverty" - in otherwise nondistressed communities. The Housing and Community Development Amendments of 1981 further amended the planning and application requirements.

A major goal of the Urban Development Action Grants program is the leveraging of private investment in distressed cities and urban counties. Grantees may undertake activities eligible under Section 105 of the 1974 Act, as amended, as well as other activities that the Secretary determines to be consistent with the purposes of the Urban Development Action Grants (UDAG) legislation. Of each year's allocation, HUD must set aside 25 percent for small communities with population of less than 50,000. Each calendar quarter, HUD announces decisions on grant applications; UDAG funding is not based on a formula or entitlement.

The Housing and Urban Rural Recovery Act of 1983 made the following changes in the UDAG program:

- small cities will retain eligibility until HUD revises eligibility criteria to include unemployment;
- a consortia of small cities and non-urban counties may apply for grants on behalf of eligible cities;
- identifiable, unincorporated portions of urban counties may qualify for pockets-of-poverty grants. These pockets must have minimum population of 2,500;
- HUD will be prohibited from discriminating against UDAG proposals on the basis of whether they involve neighborhood, commercial or industrial activities.

The Program in Massachusetts

The HUD-sponsored program has been extremely popular in Massachusetts where in FY '84, 28 grants were awarded totalling $32.7 million. (See following table)

The following Massachusetts Communities are eligible for UDAG assistance:

Large Cities		Small Cities
Arlington	Lynn	Attleboro
Boston	Malden	Ayer
Brockton	Medford	Beverly
Brookline	New Bedford	Chelsea
Cambridge	Peabody	Clinton
Chicopee	Pittsfield	Everett
Fall River	Quincy	Gardner
Fitchburg	Somerville	North Adams
Haverhill	Springfield	Northampton
Holyoke	Waltham	Revere
Lawrence	Weymouth	Salem
Lowell	Worcester	

Table A
URBAN DEVELOPMENT ACTION GRANTS (UDAG)
MASSACHUSETTS AWARDS - FY 1984

City/Grantee	Award	# of Jobs Construction	# of Jobs Permanent	Private Investment
Ayer Merrimac Warehouse Inc.	$193,000	50	14	$754,000
Boston Bulfinch School Rehab. Project	$180,000	24	---	$1.4 M
Boston Lower Mills Phase II	$1.2 M	118	---	$4.4 M
Boston Charlestown Navy Yard	$1.6 M	100	2	$6 M
Cambridge Webb Building	$4.9 M	621	969	$34 M
Chelsea Truck and Tire Service, Inc.	$515,000	18	68	$1.6 M

City/Grantee	Award	# of Jobs Construction	# of Jobs Permanent	Private Investment
Clinton Nypro Inc.	$1 M	20	100	$4.2 M
Clinton F & L Developers	$283,000	10	5	$987,000
Everett Duncan Galvanizing	$220,000	-	50	$1.1 M
Everett Behan and Market Streets Rehab.	A$420,000	100	180	$6.5 M
Fall River Garland Corp. Bristol Knitting Mill	$800,000	-	120	$2.4 M
Fall River Utd. Merchants & Manufacturers, Inc.	$600,000	-	129	$2.2 M
Fall River Durfee Union Mill Complex	$601,000	30	60	$2.5 M
Gardner Graham Street Rehab. Project	$237,000	-	-	$737,000
Lawrence Alpha Industries	$3 M	252	440	$17.9 M
Lawrence Glenn Manufacturing Company	$2.1 M	45	150	$8 M
Lawrence GCA Corporation	$6.1 M	217	975	$22 M
Lowell Aire Housing Project	$435,000	38	-	$1.4 M
Lowell Iver Company	$750,000	41	134	$3.6 M
New Bedford Claremont Company	$1.4 M	97	22	$5.1 M
Peabody Centennial Industrial Park	$2 M	126	316	$10.3 M

City/Grantee	Award	# of Jobs Construction	# of Jobs Permanent	Private Investment
Somerville Jobbers Warehouse Service	$300,000	6	23	$880,000
Somerville Northeastern Jr. High School Housing Project	$480,000	32	-	$1.8 M
Springfield Boston & Maine Freight House	$317,000	25	50	$960,000
Springfield Springfield Neighborhood Housing Services	$400,000	30	-	$1 M
Springfield Eastmont Corp.	$160,000	35	7	$1.5 M
West Springfield Riverdale Street Project	$2 M	277	460	$15.3 M
Waltham Nova Biomedical	$575,000	40	50	$3.2 M
TOTALS - 28 awards	$32.7 M	2,352	4,324	$161.7 M

FY '86 Budget Proposal

The White House proposes elimination of the Urban Development Action Grant program in FY '86. Termination of the program would seriously reduce job creation and private sector expansion in distressed communities. In FY '84, eligible cities and towns in Massachusetts received over $32 million, which helped create over 4,000 permanent jobs and 2,000 jobs in the construction industry.

	FY '81	FY '84	FY '85	Proposed FY '86
National	$ 675 M	$ 440 M	$ 440 M	-0-
% Change	---	-0-	-0-	-100
State Share	---	$32.7 M	26.4 M*	-0-
% Change	---	+30	-19	100

*Approximate figures based on previous allocations.

Urban Development Action Grants: Cumulative Fiscal 1978-1984
(in millions of dollars)

Region and State	UDAG Awards	Private Investment	Ratio	Jobs Created	Jobs Retained
New England					
Connecticut	51.9	250.6	4.9	3,949	2,325
Maine	33.7	128.7	3.9	3,799	2,101
Massachusetts	231.1	1,348.5	5.9	35,935	9,198
New Hampshire	29.0	133.7	4.7	4,354	130
Rhode Island	21.8	135.0	6.2	5,941	379
Vermont	16.5	59.9	3.7	2,078	98
Total	384.0	2,056.4	5.4	56,056	14,231
Mid-Atlantic					
Delaware	40.7	183.4	4.6	3,939	2,856
Maryland	231.1	1,348.5	5.9	35,935	9,198
New Jersey	224.6	1,104.1	5.0	33,058	6,705
New York	448.4	2,166.5	4.9	54,868	19,736
Pennsylvania	251.3	1,239.2	5.0	26,913	4,762
Total	1,196.1	6,041.7	5.1	154,713	43,257
Midwest					
Illinois	159.4	1,087.6	6.9	25,658	2,046
Indiana	80.4	575.7	7.2	9,522	4,414
Iowa	41.5	216.0	5.2	5,398	3,397
Michigan	255.8	1,553.5	6.1	28,581	5,685
Minnesota	120.0	810.3	6.8	13,558	8,036
Ohio	212.4	1,093.7	5.2	24,499	9,962
Wisconsin	74.8	415.5	5.6	8,658	4,601
Total	944.3	5,752.3	6.1	115,874	38,141
Northeast	1,580.1	8,098.1	5.1	210,769	57,488
Midwest	944.3	5,752.3	6.1	115,874	38,141
Northeast and Midwest	2,524.4	13,850.4	5.5	326,643	95,629
South	715.4	4,487.1	6.3	107,196	17,610
West*	487.9	2,781.1	5.7	66,935	12,632
South and West	1,203.3	7,268.2	6.0	174,131	30,242
U.S. Total	3,727.7	21,118.6	5.7	500,774	125,871

*Figures for Missouri are included under West: UDAG Awards -- $115.1 million; Private Investment -- $602.7 million; Ratio -- 5.3; Jobs Created -- 15,452; Jobs Retained -- 2,781.

[1]U.S. figures do not include funds for Puerto Rico or the Territories.

SOURCE: Staff calculations from U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Data Systems and Statistics Division, Urban Department Action Grants Data Book, Volume 38, November 19, 1984.

Impact of UDAG Selection Criteria[1]
(in percentages)

Region and State	UDAG Eligible Population	UDAG Awards Before 12/83	UDAG Awards 12/83 to 9/84	UDAG Fundables 12/83 to 9/84[2]
New England				
Connecticut	1.1	1.3	2.3	1.6
Maine	0.4	0.9	1.0	0.8
Massachusetts	2.9	6.6	4.8	3.7
New Hampshire	0.2	0.6	1.8	2.4
Rhode Island	0.5	0.7	0.4	2.2
Vermont	0.2	0.3	1.2	0.9
Total	5.3	10.4	11.5	11.6
Mid-Atlantic				
Delaware	0.1	0.9	2.6	1.8
Maryland	1.2	1.6	2.2	1.6
New Jersey	2.7	6.0	3.1	3.6
New York	12.2	11.1	18.8	14.3
Pennsylvania	8.4	6.6	7.7	7.4
Total	24.6	26.2	34.4	28.7
Midwest				
Illinois	6.8	4.4	3.3	2.3
Indiana	3.2	2.2	2.1	1.9
Iowa	1.3	1.2	1.2	1.3
Michigan	3.9	7.2	5.2	3.7
Minnesota	1.4	3.8	0.9	0.8
Ohio	5.8	6.2	3.9	3.3
Wisconsin	1.8	2.4	0.5	0.7
Total	24.2	27.4	17.1	14.0
Northeast	29.9	36.6	45.9	40.3
Midwest	24.2	27.4	17.1	14.0
Northeast and Midwest	54.1	64.0	63.0	54.3
South	23.4	19.9	17.9	23.9
West*	18.5	13.2	10.1	11.2
South and West	41.9	33.1	28.0	35.1
U.S. Total[3]	96.1	97.1	91.0	88.5

*Figures for Missouri are included under West: UDAG Eligible Population -- 2.3; UDAG Awards Before 12/83 -- 3.1; UDAG Awards from 12/83 to 9/84 -- 3.1; UDAG Fundables from 12/83 to 9/84 -- 2.8.

[1]Percentages may not add due to rounding.
[2]Fundables equal the sum of the dollar values of all eligible projects considered for funding since December 1983. Some "holdover" projects were considered more than once.
[3]U.S. figures do not include Puerto Rico or the Virgin Islands.

SOURCE: Staff calculations from U.S. Department of Housing and Urban Development, untitled document, September 1984.

Program Description

On October 1, 1981, the U.S. Department of Health and Human Services established the Community Services Block Grant Program (CSBG), pursuant to the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

The objective of the CSBG Program is to provide funds to states for community-based programs that:

- offer health, nutrition, housing and employment-related services to improve the standard of living of low-income persons; and
- encourage self-sufficiency, community involvement, effective use of related poverty programs, and the involvement of the private sector.

The Program in Massachusetts

The Massachusetts' CSBG Program is administered by the Office of Community Action, within the Executive Office of Communities and Development (EOCD). Of the 25 Massachusetts Community Action Agencies which the federal government had funded in FY '81, 24 continue to receive funding under this block grant program.

In FY '84, EOCD provided 90% of the CSBG program funds to Community Action Agencies, 5% has been utilized for administrative expenses, and 5% has been utilized for a Special Projects Fund which will be issued to Community Development Corporations and other community-based organizations under a competitive grants process.

The table following the FY '86 analysis shows the CSBG allocation for Community Action Agencies.

FY '86 Budget Proposal

During FY '85 the CSBG program was reauthorized by the Congress at the level of $400 M and the FY '84 and '85 allocation was increased, both actions were over the opposition of the Administration. Once again, the President has proposed to eliminate the Community Services as a separate Block Grant program. Services would be shifted to the Social Services Block Grant.

	FY '81	FY '84	FY '85	Proposed FY '86
National	545 M	348 M	368 M	-0-
% Change	---	-36	5.7	-100
State Share	11.2 M	8.3 M	8.7 M	-0-
% Change	---	-25	4.8	-100

For the third year, the Administration's proposal to eliminate this important program is based on the argument that it duplicates other sources of Federal funding such as the Social Services Block Grant. However, in the President's FY '86 budget, the Social Services Block Grant itself is cut by $25 million. Consequently the President proposes $2.7 Billion for the combined Social Services Block Grant and Community Services Block

Grant. This $2.7 billion represents a $740 million decrease in funding of the two block grants since FY 1981.

This consolidation, without commensurate funding, could seriously weaken the CAP agency structure and threaten their ability to operate fuel assistance, weatherization, and other important programs to our communities.

PROJECTED FY 1985 LOCAL INITIATIVES FUNDING
BASED UPON LEVEL FUNDING FROM HHS MINUS FY 1984 CARRY-OVER

CAA Area	Funding in FY '84	Projected FY '85 Funding
Boston (ABCD)	$2,913,406	$2,860,934.08
Gloucester (ACTION)	139,358	136,848.00
Berkshire County (BCAC)	191,792	188,338.23
Somerville (CAAS)	178,622	175,404.68
Cape & Islands (CACCCI)	174,343	171,203.49
Haverhill (CAI)	145,226	142,610.48
Chelsea-Revere (CAPIC)	153,559	150,793.45
Cambridge (CEOC)	212,989	209,152.85
Fall River (CFC)	266,906	262,099.06
Lowell (CTI)	250,810	246,293.05
Franklin County (FCAC)	138,257	136,031.81
Lawrence (GLCAC)	168,838	165,797.32
Hampshire County (HCAC)	174,344	171,203.49
Lynn (Leo)	218,226	214,295.73
Montachusett (MOC)	193,455	189,980.61
North Shore (NSCAP)	166,339	163,343.48
New Bedford (PACE)	221,741	231,798.20
Quincy (QCAO)	138,527	136,031.81
Springfield (SAC)	256,105	250,614.47
Brockton (SHI)	224,521	220,476.84
Framingham (SMOC)	152,733	149,982.53
South Shore (SSCAC)	138,527	136,031.81
Medford-Malden (TRICAP)	203,850	200,178.26
Holyoke-Chicopee (VOC)	171,326	168,240.63
Worcester (WCAC)	310,859	305,260,64
	$7,504,939*	$7,382,935.00**

*Includes $7,382,939 in FY '84 funding plus $122,000 in carry-over FY '83 funding.

**Does not include Federal allocation increase of $427,102 for CAAs. Allocation plan for these funds currently being formulated.

Program Description

The LIHEAP program provides assistance to help low income households meet rising costs of heating their homes. Assistance is available, primarily through CAP Agencies, to households whose income falls below 150% of the federal poverty level. The program was reauthorized last year for a period of two years, FY '85 and FY '86. Funds under the program are allocated under a new complex formula which bases each state's allotment on home energy expenditures by low-income households in that state, compared to total home energy expenditures by low-income households in all states.

The Program in Massachusetts

In addition to the federal program, the Commonwealth funds a supplemental program to assist one and two person households, mostly elderly people, with incomes between 150% and 175% of the poverty level.

Assistance to eligible households varies by income with the maximum grant of $750 available to those below 125% of poverty; $500 per household for those between 125% and 150%; and $325 per household for those between 150% and 175%. Income ceilings by household size are:

Household Size	125%	150%	175%
1	$ 6,225	$ 7,470	$ 8,715
2	8,400	10,080	11,760
3	10,575	12,690	*
4	12,750	15,300	*

*The state program only funds one and two person households.

In FY '85, the program will have served 162,000 households, offering an average benefit of $520 per household. Over 50% of those receiving state-funded assistance were elderly and between 35-40% of those receiving assistance under the federal program were elderly.

FY '86 Budget Proposal

The FY '86 budget requests $2.1 billion for the Low-Income Home Energy Assistance Program (LIHEAP). However, the proposal calls for financing a portion of the LIHEAP ($809 million) from oil overcharge litigation settlements.

	FY '81	FY '84	FY '85	Proposed FY '86
National	1.849 B	2.075 B**	2.1 B	2.1 B***
% Change		+12	+1.2	0
State Share	77.6 M*	86.7 M	86.7 M	82.7 M****
% Change		+12	0	-4.6

*Includes $3.3 M derived from unexpended funds from other states
**Includes $200 M supplemental appropriation
***Of this amount $809 million would be financed through petroleum overcharges thereby reducing general revenue outlays to $1.3 B
****Reduction in state allocation due to formula change

State funds approved by the legislature as a supplement to the federal program were:

FY '81	FY '84	FY '85
$ 20 M	$ 17 M	$ 17 M

The federal program began in FY '77 as a $200 million emergency energy program oriented to crisis prevention. It is now designed not only for energy emergencies but to aid low-income households with high energy costs. Increased energy costs provided the impetus for an increase in the program to $1.6 billion in FY '80 and $2.1 billion in FY '85. Since FY '77 Massachusetts has received $591.7 million in federal funds, including $86.7 million in FY '85. The allocation for Massachusetts has remained relatively stable since FY '84 at $86.7 million. This is a result of the supplemental appropriation in FY '84 of $200 million (bringing the initial appropriation of $1.875 billion up to $2.1 billion for that year) and a slight increase to $2.1 billion in FY '85.

In FY '85 the President proposed funding the entire LIHEAP from the oil overcharge litigation settlements. However, Congress did not act on that proposal. The program was funded in FY '85 at $2.1 billion out of general revenues.

Although the President's FY '86 budget requests $2.1 billion for LIHEAP, an estimated $809 million is to be financed through the oil overcharge litigation settlements thereby decreasing general revenue outlays for the program to $1.3 billion. The President's proposal to link even a portion of these funds to LIHEAP as well as to the Low-Income Weatherization Assistance Program and Schools and Hospitals Conservation Program is merely a way of backing out federal funding. In addition, the legal requirement of restitution of the overcharge refunds is to provide benefits to state consumers who were overcharged. Linking those funds to the above programs do not meet that criteria. This proposal will require legislation and is very controversial.

Program Description

The Low Income Weatherization Assistance Program is intended to reduce national energy consumption, particularly high cost imported oil, by weatherizing the homes of low-income persons. An equally important benefit is to help the low-income and elderly to live more comfortably with more of their limited incomes available for other essentials. The program provides for weatherstripping, caulking, insulation, storm windows and minor heating repairs.

The Program in Massachusetts

The state operates a comprehensive weatherization program through the Executive Office of Communities and Development, CAP Agencies, municipalities and non-profit agencies. Funds for this program come from four sources: DOE weatherization grants, set asides from the Low-Income Home Energy Assistance Program, overcharge refunds and a state funded weatherization program. Thus far, over 36,000 homes have been weatherized. There are approximately 300,000 more eligible homes remaining to be weatherized. The average cost per unit for labor and materials will be $1,500 in FY '86. The state's FY '85 program of $16.9 million, which combines state and federal resources, will enable the state to weatherize 12,000 homes. Recent technical changes to the DOE statute in FY '85 allow for a higher unit expenditure than in prior years; therefore, a greater amount of weatherization materials are being installed per home to maximize conservation savings. The average yearly savings in fuel consumption will be 29% or $347.71 per unit per household.

Supplemental Programs

The state legislature last year appropriated $1.25 million for a state weatherization program for households whose incomes are below 175% of the poverty level. These funds will allow the weatherization of 3,000 homes and apartments this year. Since FY '83 the state program was used as a matching fund against the HUD Solar Bank to perform additional weatherization work on homes that were done under the state program. A total of $2.25 million has been received from HUD in FY '84 and FY '85 for weatherization. (See ENERGY CONSERVATION SECTION).

An additional $7.8 million from the state's fuel assistance allocation has been transferred for conservation. Of that amount, $4.9 million is being used for full scale weatherization and $2.9 million is going to low cost conservation which focuses on heating system repair and maintenance.

Under the oil overcharge refunds, $1.1 million has been awarded to the state for multi-family weatherization and another $1 million is being used for an oil burner replacement program.

FY '86 Budget Proposal

The budget proposal calls for $152.9 million to be financed from existing and future oil overcharge litigation settlements where the overcharged customers cannot be identified and repaid. The budget also proposes a gradual phase out of the Low-Income Weatherization Assistance Program over the next five years with the assumption that support for the program will come from increasing reliance on charities and state and local governments.

	FY '81	FY '84	FY '85	Proposed FY '86
National	$ 200 M	$ 190 M	$ 190 M	$152.9
% Change	---	-5	-0-	-20
State Share	6.3 M	5.7 M	6.0 M*	4.8 M
% Change	---	-9.5	+5.2	-20

*Increase due to a formula change

In FY '80 Congress appropriated $199 million for the weatherization program. Labor costs were funded through the CETA program. Now that the CETA program has been abolished, the cost of labor which varies from 30 percent to 60 percent of the total cost of the program, is paid for through the general appropriation for weatherization. In prior years the President has requested zero funding. The uncertainty of whether the program would be funded and at what levels created a number of problems for the states. States began to scale back program production at a slower rate to avoid shutting down entirely and people were laid off. Despite the President's zero budget requests, Congress has funded the program in successive years. In FY '84 and FY '85 Congress appropriated $190 million for the program. However, a large portion of those funds went towards labor costs leaving a smaller amount for direct weatherization.

Because funding for the weatherization program would come from oil overcharge litigation settlements, no general fund appropriation is requested in the President's budget. The President recommended this funding approach in FY '85 but Congress failed to act on it and instead, funded the program at $190 million out of general revenues. In addition to the weatherization program, the FY '86 budget calls for using oil overcharge money to partially fund the Low-Income Home Energy Assistance Program (LIHEAP) and the Schools and Hospitals Conservation Program. The major issue will again be whether or not Congress funds these programs if the Administration's proposed funding mechanism is not enacted or is delayed - our tables assume funding at the $152.9 million funding level.

The President's proposed reduction of 20 percent in the Low-Income Weatherization Program will result in a $1.2 million loss to the Commonwealth. This means that approximately 800 low-income households in Massachusetts will not be weatherized in FY '86 as a result of the reduction. In addition, if the program is phased out by 1990, $18 million will have been lost to the state with a reduction of weatherization assistance to approximately 12,000 homes.

Low Income Energy Assistance and Weatherization Programs: Fiscal 1985
(in thousands of dollars)

Region and State	Low Income Energy Assistance	Low Income Weatherization
New England		
Connecticut	43,440	2,505
Maine	27,914	2,972
Massachusetts	86,878	6,022
New Hampshire	16,447	1,503
Rhode Island	14,220	1,152
Vermont	12,328	1,279
Total	201,227	15,432
Mid-Atlantic		
Delaware	6,940	561
Maryland	34,214	2,374
New Jersey	82,849	5,136
New York	263,291	19,392
Pennsylvania	141,479	12,484
Total	528,773	39,946
Midwest		
Illinois	123,679	11,663
Indiana	55,371	5,360
Iowa	38,581	4,582
Michigan	113,951	12,645
Minnesota	82,239	9,505
Ohio	109,413	10,773
Wisconsin	74,027	7,356
Total	597,262	61,885
Northeast	730,000	55,378
Midwest	597,262	61,885
Northeast and Midwest	1,327,262	117,263
South	363,142	29,735
West*	387,371	40,002
South and West	750,513	69,737
U.S. Total	2,077,775	187,000

*Figures for Missouri are included under West: Low Income Energy Assistance - $48,026; Weatherization - $5,058.

SOURCE: Staff calculations from U.S. Department of Health and Human Services, Office of Family Assistance, Low Income Home Energy Assistance Information Memorandum, November 30, 1984, and U.S. Department of Energy, Office of Low Income Weatherization Assistance, unpublished data, December 1985.

HOUSING ASSISTANCE PAYMENTS PROGRAM - SECTION 8

Program Description

The Housing Assistance Payments Program (Section 8) was established in 1974, as part of the Community Development Act. The basic principle of the program is simple: HUD pays a subsidy equal to the difference between a "fair market rent" (FMR) and what the tenant can afford to pay. HUD sets the FMR at 45% of the rent paid by recent movers, and the tenant contribution is equal to 30 percent of adjusted income. Eligible households, under the Section 8 program must have incomes which do not exceed 50 percent of the area median income.

The Section 8 program subsidizes the rents of tenants who live in units in the following categories: existing (existing rental units); moderate and substantial rehab (rental units undergoing certain degrees of renovation) and; new construction (new buildings constructed through the Section 8 program).

The new construction subsidy was discontinued as part of the Housing and Urban-Rural Recovery Act of 1983. It was replaced by the Rental Housing Development Grant Program, which the President has slated for elimination in FY '86. The new Rental Rehabilitation Grant Program has taken the place of the Moderate Rehab subsidy and, under this program, participants now use the housing voucher system described below. Substantial rehab subsidies are now used in the Section 202 program, which is described in a subsequent section.

Subsidies are guaranteed for various multi-year commitments. The new construction and substantial rehab subsidies involve a 20-year commitment, while moderate rehab and existing subsidies carry a 15-year commitment. Existing housing tenants may use their subsidy for their choice of certified units; all other subsidies are tied to the units and may not be transferred.

Housing Voucher Program

The Housing Voucher Demonstration Program was authorized by the Housing and Urban-Rural Recovery Act of 1983. The voucher subsidy is based on the difference between an established rent payment standard for each market and a fixed percentage of family income. The payment standard is set at a level equivalent to the 45th percentile of the distribution of rents for rented units of standard quality, including recent movers, but excluding public housing units and units built in the previoius two years. Tenant contributions are set at 30% of adjusted income for new tenants.

A major innovation of the voucher program is that it does not place a limit on the rent which tenants may pay. Tenants may live in units which have rents higher than the payment standard. They would pay the difference out of pocket. Conversely, tenants who choose to rent units below the payment standard would be permitted to keep the difference.

The Administration has been very supportive of this housing voucher approach until this budget request and has sought to replace the Section 8 program with this initiative. These vouchers simply provide a monetary subsidy for tenants in existing units and make no allowance for moderate and substantial rehab or new construction tenants. The subsidy commitment is also shorter under the housing voucher program: a five year commitment compared to 15 and 20 year commitments in the Section 8 program.

Finally, the rent payment standard in the voucher program is lower than the fair market rent under the Section 8 program; this lowers the amount available to eligible participants and decreases HUD's financial commitment to assisted housing.

The Program in Massachusetts

The state's first allocation for the existing unit subsidy program was 698 units in 1979. Since then, the Massachusetts Executive Office of Communities and Development has received a total of 2,293 units, which represents an average annual federal contribution of $10 million.

New construction and substantial rehab subsidies were replaced by Rental Rehab Grants and the Rental Development Assistance Grants in FY '84. Subsidies under this category are now used in conjunction with the Section 202 program - Housing for the Elderly and Handicapped.

The Moderate Rehab program has been phased out, but a small number of incremental units are subsidized through recaptures. Figures for FY '84 are not available for Massachustts.

Under the new voucher program, the Commonwealth and Boston Housing Authority received over $4 million in contract authority (five year commitment) for approximately 411 units in FY '84.

FY '86 Budget Proposal

SECTION 8 - New Construction and Substantial Rehab

The President proposes a two-year moratorium on new (incremental) units under this program.

	FY '81	FY '84	FY '85	Proposed FY '86
National	10.4 B	1.9 B	1.5 B	-0-
Units	(73,681)	(14,410)	(11,617)	(-0-)

SECTION 8 - Existing

The President has also proposed a two-year moratorium for this program in FY '86. The FY '86 proposal calls for resumed funding in FY '88.

	FY '81	FY '84	FY '85	Proposed FY '86
National	3.8 B	3.8 B	2.6 B	-0-
Units	(66,508)	(53,913)	(37,500)	(-0-)

HOUSING VOUCHER PROGRAM

The FY' 86 budget recommends $65.6 million for this program. This represents a reduction of $708.4 million and a decrease in the number of assisted units from 40,849 to 3,500.

	FY '81	FY '84	FY '85	Proposed FY '86
National	N/A	261.5 M	774.3 M	65.6
Units	N/A	(14,404)	(40,849)	(3,500)

The proposed moratoria on Section 8 subsidies could cost the Commonwealth approximately 1,000 units in FY '86.

HOUSING FOR ELDERLY AND HANDICAPPED (SECTION 202)

Program Description

The Section 202 program authorizes federal loans, at below-market interest rates, for distribution to non-profit organizations engaged in constructing, rehabilitating or altering rental housing units for elderly and handicapped people. While most Public Housing is administered by insuring a mortgage made by the private lender, HUD itself lends the funds for the Section 202 program. The low interest rate is based on average Treasury borrowing costs, and it enables the housing to operate at lower costs.

This low-rent housing is reserved for individuals who meet eligibility criteria including an income level too high to qualify for public housing, but too low to afford adequate private housing. Since the rents may still be too high for low-income elderly and handicapped people, Congress revised the program so that Section 8 Housing Assistance Payments subsidies are made available. Tenants who meet the Section 8 income limits do not have to pay 30% of their income for rent.

FY '86 Budget Proposal

While Administration proposals over the past few years have reduced the Section 202 program, the FY '86 budget places a two-year moratorium on new housing production activity. Projects already under way will have access to a proposed $50 million for additional loans. Project selection in 1985 will be stipulated by local vacancy rates.

	FY '84	FY '85	FY '86
National	66 M	600 M	50 M
Units	(14,277)	(11,617)	-0-

RENTAL REHABILITATION GRANTS

Program Description

In 1983, Congress passed the Housing and Urban-Rural Recovery Act which made significant changes in HUD's Section 8 Program. The new construction and substantial rehabailitation initiatives contained within Section 8 were repealed (with the exception of funds obligated before January 1, 1984 and Section 202 projects). These were replaced by rental development and rental rehabilitation grants.

Rental Rehabilitation Grants:

- authorized for two years at $150 million each year;
- establishes a $5,000 limit per unit (except in areas HUD determines to be high cost, or in certain refinancing cases);
- allocates funds by formula (which HUD will not release until spring/summer) directly to CDBG entitlement communities, and to states for non-entitlement communities (an entitlement community can contract with a state to have the state administer the program on the community's behalf). A state may carry out its own rental rehabilitation program, or distribute funds to non-entitlement communities;
- requires that 100% of assistance must be used for the benefit of lower-income families (this can be reduced to 70% if grantee can certify to HUD satisfaction that a program can't be developed without such reduction);
- provides that an equitable share of funds must be used for housing for families, including large families with children. Priority for projects with substandard units occupied by very low-income families. Projects must be located in neighborhoods where median income does not exceed 80% of the median income of the area.

The Program in Massachusetts

In the first, and only year of the program, Massachusetts received $1.9 million for FY '85. Though the program encountered some initial start up problems, it provided a source of much need funding for the rehabilitation of existing housing stock.

FY '86 Budget Proposal

The President's budget recommendation for FY '86 does not propose an allocation for the Rental Rehabilitation Grants Program. The Administration contends that this measure is an effort to help reduce the federal deficit. Consequently they are imposing a two-year funding moratorium which will be implemented at the end of 1985. Funding for the program is scheduled to resume in FY '88.

Rental Rehabilitation Grants

Program Level	FY '84	FY '85	Proposed FY '86
Number of Dwelling Units	30,000	$31,000	-0-
Amount (obligations)	$150 M	$154 M	-0-

Program Description

The Housing and Urban-Rural Recovery Act of 1983 authorized the Rental Housing Development Grant Program. The new initiative was funded at $200 million in FY '84 and $115 million in FY '85, but Congress appropriated the lump sum of $315 million to be distributed in FY '85.

As enacted the program:

- awards funds to local governments and states (with the concurrence of the local government) through national competition (no formula allocation);
- requires that projects must be in areas experiencing a severe shortage of rental housing;
- provides for HUD to issue rules setting minimum standards for area eligibility (within 60 days of the effective date of the Act (Nov. 30));
- specifies that development grant funds may be used to make grants or loans, provide interest rate reduction payments, or other comparable assistance;
- limits assistance to 50% of the cost of rehabilitation or development (except in certain refinancing cases). The structure after rehabilitation or construction cannot have a value that is more than the amount of a morgage on the structure that can be insured under Section 207 of the National Housing Act;
- requires HUD to determine that mortgage rates and terms on project are reasonable. Rehabilitation or construction work must commence within 24 months after project selection;
- establishes a requirement that 20% of the units in a project must be for families with incomes no higher than 80% of the area median;
- lays down the selection criteria to include severity of housing shortage, use of other financial resources, impact on neighborhood development, applicant's record in meeting housing needs, mechanism for maintaining affordable rentals, and provision of housing for families, especially large families;
- specifies that the grantee must approve rents for lower-income units (which can't exceed 30% of adjusted family income with ncome equal to 50% of area median).

In October of 1984, HUD awarded $288 million to fund 141 projects. The agency estimated this funding would help provide 14,462 additional rental housing units in areas of substantial need.

The Program in Massachusetts

Massachusetts has received $13.5 million in Rental Housing Development grants. The following is a list of funded projects:

Boston Fenway Little City Hall	$1.28 M 46 units
Cambridge Church Corner Apartments	$4.25 M 95 units
Clinton Philbin Square Apartments	$2.6 M 108 units
Greenfield Mill House	$3.45 M 103 units
Holyoke Echo Hill of Holyoke	$1.21 M 42 units
Holyoke Village Apartments	$231,000 20 units
New Bedford Wamsutta Village	$460,000 56 units

FY '86 Budget Proposal

The President has proposed elimination of the Rental Housing Development Program in FY '86. At a time when studies indicate the continued need for new, affordable housing (35,000 units per year are needed in Massachusetts alone), this proposal will hurt lower- and middle-income wage earners the most.

Realizing this need, Governor Dukakis established the State Housing Assistance for Rental Production (SHARP), with $5 million in funding, the SHARP program financed the construction of 2,100 units in FY '84.

	FY '81	FY '84/FY '85
National	N/A	315 M
State		13.5 M

DEPARTMENT OF EDUCATION

CHAPTER 1 - COMPENSATORY EDUCATION FOR THE DISADVANTAGED

Program Description

Chapter 1 of the Education Consolidation and Improvement Act (ECIA) primarily provides funding assistance to local Education Agencies (LEA's) to design and implement programs designed to meet the special needs of educationally deprived children. In addition, approximately 13[1] percent of Chapter 1 funds go to state education agencies for services for migrant children, handicapped, and neglected and delinquent children in state institutions. The Chapter 1 formula allocation is based upon the states' per pupil expenditure and number of eligible students. Programmatic emphasis is placed on instruction in basic skills.

The Program in Massachusetts[2]

The Massachusetts Department of Education administers funds provided by the federal government for the compensatory education program. In addition the department provides technical assistance to LEA's and monitors the effectiveness of local programs in improving the basic skills of educationally deprived children.

In administering Chapter 1, the department receives county entitlement grants from the federal government and then suballocates these grants to school districts in each county. The federal government allocates a percentage of Chapter I monies for state administration costs which may not exceed 1%.*[3]

Elementary school programs are currently emphasized in the Massachusetts program. The department hopes to direct more resources to secondary programs in the future.

The following chart lists the program components and their funding levels:

Program	1981-1982	1984-1985
Basic Grant	$48,448,202	$67,796,097
Concentration Grant	2,152,077	0
Handicapped	10,561,051	9,597,602
State Program	458,474	407,743
Migrant Education	5,873,833	5,496,678
State Administration	706,658	788,286
TOTAL	$68,200,295	$84,086,406

[1] Based upon FY '84 appropriation

[2] Most federal academic programs are forward funded, i.e., available on July 1 rather than October 1. Chapter 1 as well as most of the programs listed in the Department of Education section are forward-funded. A notable exception is Child Nutrition.

[3] Beginning in 1982, the state administrative allowance was reduced from 1.5% to 1%. This reduction has seriously impaired the SEA's ability to monitor and provide technical assistance.

FY '86 Budget Request

	FY '81	FY '84	FY '85	Proposed FY '86
National	3.10 B	3.48 B	3.69 B	3.65 B
% Change	---	12.2	6.0	-1.1
State Share	68.2 M	78.3 M	84.0 M	83.2 M
% Change	---	14.8	7	-1.1

The President's FY '86 budget proposes level funding in grants to LEAs and funding for handicapped and state programs, but a $41 million, or 15.5%, decrease in migrant education funds.

The Administration will once again propose to give LEAs the option of providing compensatory education services, through vouchers, to parents who choose to send their children to private school.

Program Description

Chapter 2 of the Education Consolidation and Improvement Act of 1981 (ECIA) consolidated approximately thirty (30) categorical programs for elementary and secondary education (e.g., education innovation and support program; desegregation projects; gifted and talented children program, basic skills development). Authorized activities include all activities previously authorized by the categorical programs.

The objectives of the ECIA Block Grant Program are to provide funds on a formula grant basis to states:

1) to be used for the same purposes as the 30 categorical programs, but in accordance with the educational needs and priorities of state and local educational agencies (LEAs); and

2) to improve elementary and secondary education for children attending both public and private schools.

Awards are based on the number of children aged 5-17 in each state. Within states, allocations are made on the same basis except that states must give added weight for a school district's proportion of higher cost students. States must allocate at least 80% to local school districts; 20% may be reserved for state use.

In addition to providing flexible resources for states and local schools, the block grant authority also provides for a limited set-aside of discretionary funds to be used by the Secretary to support federal level activities that assist state and local educational agencies in improving elementary and secondary school programs. These activities address national priorities, and include areas of particular concern to the Congress as well as special initiatives in areas where federal participation is appropriate.

The Program in Massachusetts

The program in Massachusetts has 380 operating school districts. The method by which the state determines the distribution of funds to LEAs must be formulated according to the relative enrollments in public and non-public schools within the different school districts.

These formulas are to be adjusted to provide higher per pupil allocations to LEA's which have the greatest number of children from low-income families, children living in economically depressed areas, or children living in sparsely populated areas. The governor is authorized to appoint an advisory committee, broadly representative of both educational interests and the general public, to assist the state in determining the distribution of funds within the state, 40 percent of the funds available to LEAs are distributed on the basis of enrollment, and 60 percent on the basis of the number of children from families receiving AFDC. Twenty percent of the block grant funds are retained by the Department of Education to administer the grant, and to continue support for certain statewide services such as in-service education, teacher training, and program for gifted children, and to support various special projects including basic skills programs.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	510.9 M	450.6 M	500 M	500 M
% Change	---	-11.8	11	-0-
State Share	10.0 M	9.9 M	11 M	11 M
% Change	---	-1	11	-0-

In the FY '85 Budget proposal, the Reagan Administration proposed a substantial increase in Chapter 2 funds, with the recommendation that a significant portion of this funding be spent on implementation of recommendations contained in the National Commission on Excellence Report, "A Nation at Risk."

Although Congress did not increase Chapter 2 monies to the President's request level, it did respond to "A Nation at Risk" by enacting the Education for Economic Security Act of 1984 (analyzed separately in this chapter). In FY '86 the Administration has proposed rescission of $5 million appropriated for one title of this Act.

Governor Dukakis has responded to the national call for improved quality in education at the state level by proposing major state education reforms. These initiatives are currently before the State Legislature.

Program Description

P.L. 94-192 is the national equivalent to the state's Chapter 766 Special Education program. Under the federal law, states are required to provide free, appropriate education to all handicapped children, and must devise a plan that tailors the educational program to the needs of the child. Funds are allocated to states based on the relative number of children between the ages of 3-21.

The Program in Massachusetts

The Department of Education receives federal funds under the law and reallocates the funds to local school districts based on the number of children being served. The state retains 5% of the funds to cover administrative costs and to fulfill its responsibilities for program monitoring, audits and hearing procedures. The federal law requires that states pass along no less than 75% of the federal allotment. Massachusetts is allowed to keep 20% of the funds for discretionary programs, but in view of the pressures on property tax levels, keeps only 2% for discretionary programs and passes along 93% of all funds received.

Massachusetts also receives incentive grants for serving children ages 3-5. These funds are intended to encourage states to provide early intervention services to improve the long term educational attainment of handicapped children. Funds for this program are awarded on the basis of the number of children served in each school district. The state received $635,644 in FY '85 for pre-school incentive grant.

In both programs, the federal funds equal about 6-7% of the costs of providing an appropriate educational program for handicapped children.

Massachusetts also receives $3.5 million for a series of small categorical programs. Included among these are Early Childhood Education, Regional Vocational, Adult and Post Secondary Education, Innovation and Development, and Personnel Development. Funding for these programs has declined over the past three years.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	1.0 B	1.24 B	1.32 B	1.30 B
% Change	---	24	6.6	-1.5
State Share	29.3 M	30.8 M	32.1 M	32.1 M
% Change	---	5.1	4.2	-0-

The Administration recommends level funding for the State Grant program and Preschool Incentive grants, claiming that "level funding for this program reflects the Administration's concern for maintaining support to states to assist them in providing services to handicapped children." In fact, with the inflation rate at 4.3%, level funding represents a real loss of $1.3 million. Since approximately 90% of the money that is passed on to LEAs in Massachusetts goes toward direct service salaries, personnel would have to be cut to meet local COLAs.

The Administration proposes a \$15 million decrease in Special Purpose funds, including regional Deaf-Blind Centers and in-service training.

Program Description

Funds are provided for bilingual education programs to build the capacity of school districts and States to serve limited-English-proficient children. Programs are designed to assist children to enter an all-English-language educational program as soon as possible.

Aid is also provided to states to build their capacity to improve bilingual education in school districts, and for dissemination, studies, and educations as well as bilingual vocational training.

The Program in Massachusetts

The following chart lists the program components and their funding levels:

Program	1983-84	1984-85	Proposed 1985-86
ESEA Title VII	3.3 M	3.3 M	3.8 M
Bilinqual Vocational Training	.15 M	.15 M	.075 M
Transition Program for Refugee Children	.6 M	.7 M	.7 M
Emergency Immigrant Education Assistance		.7 M	---

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	209.7 M	139.2 M	139.2 M	139.2 M
% Change	---	-33.6	-0-	-0-
State Share	4.6 M	4.1 M	4.8 M	4.1 M
% Change	---	-10.8	17	-15

For the third consecutive year the Administration proposes level funding for FY '86 for the Bilingual Education program placing an undue hardship on the state to provide the amount needed to maintain the FY 1981 level of services.

In addition, the Administration proposes to rescind a 30M FY '85 congressional appropriation for Emergency Immigrant Education Assistance as well as reducing by 50% the funds available for bilingual vocational training.

Under the Administration's proposal significant redistributions would also occur eliminating biligual vocational training and increasing basic grants to local school districts.

The Administration's proposal would affect nearly every region of the Commonwealth. In Lowell alone there are 500 new immigrants in need of Emergency Immigrant Education Assistance. During 1984, there was also a large influx of immigrants in the Southeastern region in need of basic educational services, and the President's proposals would place an undue hardship on this region of the Commonwealth as well.

Program Description

Federal support for vocational education is authorized by the Carl D. Perkins Vocational Education Act of 1984. The purpose of vocational education is to provide occupational training for youth, particularly those who do not expect to attend four-year colleges, and to assist adults who need job training or retraining. Federal vocational education funds are intended to support efforts to expand and improve training programs and to promote greater accessibility of vocational education and additional support services to those populations which traditionally have been underserved. Programs are authorized to be conducted in each state under basic state grants for vocational education and special programs.

The largest groups of programs authorized are under the basic state grant for vocational education to support, at the discretion of each state, a variety of vocational education programs. States are required, however, to utilize 57% of the basic state grant for support services to handicapped (10%), disadvantaged and limited English proficient students (22%) in vocational programs, as well as for programs for training or retraining adults (12%), single parents and homemakers (8.5%), eliminating sex bias and stereotyping (3.5%), and criminal offenders in correctional institutions (1%).

The smaller authorization for states to conduct special programs consists of separate appropriations for each of five (5) program areas. These are: vocational support programs by community based organizations (to be run in cooperation with local educational agencies); consumer and homemaking programs; adult training, retraining, and employment development; comprehensive career guidance and counseling programs, and; industry-education partnerships for training in high technology occupations.

Federal funds account for less than 10% of all vocational training dollars, and that share has been declining for some time. The formula determing each state's allocation of federal vocational education funds is based on the relative size of the state's age population groups and on the state's per capita income as compared to per capita income for all states.

The Program in Massachusetts

State Grant funds are mainly allocated by formula through the State Department of Education to the local school districts and public community colleges. Basic grant monies, which make up about 90% of those funds, support services in secondary and post-secondary/adult programs. Services include vocational training programs for adults and youth not enrolled in school (usually provided by community-based organizations under contract), training programs in public community colleges, training programs designed to promote equality in career opportunities for minorities and women, apprenticeship programs, counseling and guidance services, and remedial programs for disadvantaged and limited English speaking populations and for the handicapped.

Of the basic grant money received in FY '85 (for the 1984-1985 program year), about $400,000 was distributed through contracts to community-based organizations, $1.3 million to public community colleges (with size of allocation in relation the demographics of the area served), and over $14 million was distributed to secondary school districts.

Federal dollars are not used to maintain existing programs, but are used as seed money for the implementation of new programs or to expand vocational programs. School

districts and community colleges have been ranked according to formulas based on relative levels of unemployment, median family income, taxable property value per person, concentration of low-income individuals, occupational education program effort and various student counts. All school districts with secondary students receive allocations, in size ranging from about $4,000 to about $1.3 million for Boston.

Approximately 10% of all basic grant funds go to community colleges. The balance of these funds are awarded to school districts with comprehensive districts receiving about three times as much as vocational districts. Annual grant applications are most often submitted in response to formula allocation amounts. Each proposed project is reviewed for congruence with federal requirements, state policy priorities and local needs.

The State Council on Vocational Education is a citizen advisory board mandated by this federal legislation and whose members are appointed by the Governor. In Massachusetts, the State Council is advisory to the State Board of Vocational Education. Under the Carl D. Perkins Vocational Education Act, the council consists of 13 members, a majority and the chairperson of which represent the private sector (business, industry and labor). The remaining council members represent secondary and postsecondary vocational institutions, special education, career guidance and counseling and special poplulations (women, disadvantaged, handicapped, limited English proficient and minorities). The State Council advises the State Board, Governor, business community, and general public with regard to policy, distribution of funds, program evaluation and program delivery systems under this act and the Job Training Partnership Act.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	681.6 M	739. M	738. M	738. M
% Change	---	8.4	-.1	-0-
State Share	16.6 M	17.0 M	16.9 M	16.9 M
% Change	---	2.4	-0.5	-0-

Total funding for Vocational Education is frozen in 1986 at the 1985 appropriation level of $738 million.

The 1986 request for State programs freezes funding at the combined 1985 funding level of $723 M and proposes to terminate the Consumer and Homemaker Education program which provided parenting education and child growth and development courses. The 1986 request would also transfer the $32 million for the Consumer and Homemaker Education program into the basic grants.

State Council funding is frozen in 1986 at the 1985 appropriation level.

The 1986 Research funding level will support the congressionally mandated NIE assessment of vocational education, as well as curriculum coordination center, and special research projects.

Program Description

Current Federal assistance for higher education is designed to allow low and middle income students access to a quality education. Student aid programs include six major funding sources: (1) Work Study (W-S), (2) Pell Grants, (3) Supplemental Education Opportunity Grants (SEOG), (4) National Direct Student Loans (NDSL), (5) Guaranteed Student Loan (GSL), and (6) State Student Incentive Grants (SSIG).

Under Work-Study, the federal government provides up to 80 percent of the funds for salaries of students working in part-time jobs. Federal funds are allocated to institutions which are responsible for administering the program. Pell grants are awards to students whose adjusted family income meets eligibility requirements set by the United States Department of Education. Currently students receiving federal aid begin their financial aid package with a Pell Grant and add other resources to complete their college cost needs. SEOG's are used to supplement Pell grants for those whose financial need requires additional assistance.

NDSL's are low-interest loans to assist financially needy students in pursuing post-secondary education at eligible institutions. The federal government makes loans in the form of annual capital contributions to revolving funds at higher education institutions. Colleges then use loan repayments and the new federal capital to make new loans, rather than repaying the federal government.

The Guaranteed Student Loan program is designed to promote the availability of commercial and other loans to students and their parents to help pay education costs. This is accomplished through the provision of federal insurance and reinsurance against borrower default and through subsidy payments.

State Student Incentive Grants allow financial incentives for states to provide monies for student higher education assistance.

The Higher Education bill expires in 1985, and must be reauthorized by Congress.

The Program in Massachusetts

Pell Grants are designed to provide need based grants by the respective institution to students who attend school in Massachusetts.

Guaranteed Student Loans are administered by the commercial and non-profit agencies to students who live in Masachusetts, not necessarily students who attend school in Massachusetts. While the student is in college or during certain grace and deferment periods the Federal Government pays the interest.

PLUS loans -- a less subsidized auxiliary loan -- are available to parents of dependent undergraduates, independent undergraduate students, and to graduate students.

FY '86 Budget Proposal

This year, President Reagan has proposed major structural changes in federal student aid programs, placing the emphasis on parent and student responsibility for financing college costs and the elimination of aid to students from families with an annual income above $32,500.

Policy Changes:

- A $4,000 "mega-cap" on total annual Education Department aid to any one student.
- A $25,000 family adjusted gross income (AGI) on eligibility for grants, direct loans and work study and a $32,500 AGI on eligibility for regular Guaranteed Student Loans.
- A self-help expectation of $800 would be required for eligibility under any of the Department's grant or loan programs.
- All applicants below age 22 (except for orphans and wards of the Court) would be classified as dependent on their parents.
- Restructuring of the Guaranteed Student Loan program, fixing the borrower's interest rate to the 91-day Treasury bill rate and eliminating special allowances for lenders.

Funding Levels

It is important to note that for all of the following student assistance programs, the student aid award year is July 1, 1985 to June 30, 1986, and student aid programs are forward funded.

I. Pell Grants

	FY '81	FY '84	FY '85	Proposed FY '86
National	2.3 B	2.8 B	3.3 B	2.7 B
% Change	---	21	17.8	-18.2
State Share	67.4 M	68.4 M	61.42 M	50.25 M
% Change	---	1.4	-10.2	-18.1

For FY '86 the Administration has further restricted the eligibility criteria for Pell Grants. A family would now be expected to contribute 18 percent of their discretionary income, rather than 11 percent, to educational costs.

In Massachusetts, the average Pell grant award is $900.

Further policy changes include a revision in the method of award calculation and a $3,000 living allowance instead of an unlimited living allowance for students residing on campus.

II. Supplemental Educational Opportunity Grants

	FY '81	FY '84	FY '85	Proposed FY '86
National	367 M	375 M	412.7 M	-0-
% Change	---	2.1	10	-100
State Share	20.2 M	20.6 M	22.7 M	-0-
% Change	---	1.9	10	-100

The Supplemental Education Opportunity Grants were eliminated, and the analysis follows the Work Study section.

III. Work Study

	FY '81	FY '84	FY '85	Proposed* FY '86
National	546 M	555 M	593 M	850 M
% Change	---	1.6	6.9	43.3
State Share	31.5 M	32.1 M	34.4 M	49.3 M
% Change	---	1.9	7.1	43.3

*In place of SEOG's and the Work Study program, for FY '86, the Administration proposes a $850 M "Work Study/Grant" program under which institutions would be allowed to use up to 50% of their Work Study allocations for making Supplemental Grants. The "Work Study Grant" program is a 15.5% decrease from the combined FY '85 SEOG and WS programs.

A 15.5% decrease in these combined programs would curtail Massachusetts students from obtaining the $5,000 needed to fund the average cost of attending a higher education institution in Massachusetts. Potentially, this could affect upwards of 33,000 students in Massachusetts alone.

IV. State Student Incentive Grants

	FY '81	FY '84	FY '85	Proposed FY '86
National	76.8 M	76 M	76 M	-0-
% Change	---	-1	-0-	-100
State Share	2.5 M	2.4 M	2.4 M	-0-
% Change	---	-4	-0-	-100

States receive formula grants which they match and use to provide need based grants to undergraduates.

Massachusetts has used this money to provide additional (average $880) assistance to Massachusetts students. The Reagan Administration"s elimination of this program will inhibit the continued growth of this program in Massachusetts.

V. National Direct Student Loan

	FY '81	FY '84	FY '85	Proposed FY '86
National	182 M	161 M	190 M	28 M*
% Change	---	-11.5	18	-85
State Share	8.2 M	7.5 M	7.2 M	1.3 M
% Change	---	-8.5	-4	-82

* For FY '86 the Administration has proposed to eliminate the NDSL program. The 28 M request is for the Federal costs related to loans whose repayment obligations are cancelled because of the borrower's public service employment, primarily in teaching.

In Massachusetts, 10,000 students in public higher education institutions as well as 30,000 students in private higher education institutions participate in the NDSL program. The elimination of this program would be devastating for the 40,000 Massachusetts participants.

VI. Guaranteed Student Loans

	FY '81	FY '84	FY '85	Proposed FY '86
National	2.5 B	2.3 B	3.1 B	2.7 B
% Change	---	-8	34.7	-12.9
State Share	302 M	225.6 M	320 M	222 M*
% Change	---	-25	41.8	-30.6

*The state share for FY '86 reflects the Administration's $32,500 income cap which the Massachusetts Higher Education Assistance Corporation estimates would result in a $98 million loss for the state.

No other student aid cutback or elimination will hurt the students of Massachusetts more than the restructuring of the GSL program. For FY'86, the Administration proposes legislation to reduce Federal costs for the GSL by a) forcing states to bear a larger responsibility for financing the GSL program, b) allowing only students whose families earn less than $32,500 to be eligible for a GSL, and c) borrower or student costs would be closely tied to credit market conditions.

- States would no longer be provided with interest free loan advances as administrative cost allowances and outstanding advances would be recalled.

- Institutions would be required to extend the regular loan need analysis limitation (currently applicable only to borrower with family adjusted gross income above $30,000) to all family income levels along with new quality control policies.

- Borrowers would pay interest at a set annual rate of recent 91-day Treasury bills, instead of the current fixed 8%.

- The current special allowance paid to lenders would be reduced and restructured to 1.5 percentage points on outstanding loans while the student is in school, and 3 points on outstanding loans after the student begins repayment.

In Massachusetts alone there are 126,254 undergraduate and graduate Guaranteed Student Loan recipients. The Reagan Administration's proposal ($32,500 income limit) would affect 40,000 students across the state making them ineligible for GSL's. These GSL recipients borrowed $98 M in 1984. At Fitchburg State College, a moderate cost public institution, there are 1400 GSL recipients and the proposed GSL requirements would prohibit 56% of the recipients from continuing in the program.

If all the Administration's proposals are implemented, this would limit many students' choice of a private college education. In addition, public higher education institutions would be severely hindered in the amount of student aid they could provide.

ADULT EDUCATION

Program Description

In 1984 the Aduld Education program was reauthorized under Title II Part A of the Carl D. Perkin's Vocational Education Act. Formula grants are made to states to eliminate functional illiteracy among the nation's adults and to assist adults in obtaining a high school diploma, or its equivalent. Under the new amendments to the Adult Education Act, funds may be used to increase the involvement of the private sector in the delivery of adult education services.

The Program in Massachusetts

The Adult Education program in Massachusetts is funded by federal, state, and local monies. In FY '85, the Adult Education program administered by the State Department of Education received $2.1 million in federal monies. The state contributed 1.5 million dollars. These funds were matched on the local level in the amount of 43 million. Every federal and state contribution must be matched by local dollars.

Last year, FY '84, the Massachusetts Adult Education program made awards to 70 adult learning centers. These awards were approved by the state Board of Education. Services provided by the centers include basic skills and literacy, English as a second language (ESL), preparatory programs for the General Educational Development Test (GED) for high-school equivalency certification, pre-vocational training (job application skills), counseling, support services, and life coping skills (learning to write checks, use public transportation, etc.).

In FY '85, approximately 30,000 people will be served at an average cost per pupil of $104.

FY '86 Budget Proposal

The Administration proposes level funding for adult education for FY '86. In October of 1984 the Carl D. Perkins Vocational Education Act was signed into law reauthorizing adult education. This included a reduced set-aside for adults, but it also mandated a new program for Adult Training, Retraining and Economic Development.

The State Education Agency will play a major role in the National Adult Literacy Initiative. The Adult Literacy Initiative involves efforts by federal, state, and local agencies as well as volunteer groups, business, and industry to address the functional illiteracy of an estimated 23 million adult Americans.

The Adult Literacy Initiative will involve private and public coordination with post-secondary work study students in adult literacy programs. In 1985 the Commonwealth received $2.1 million to help educate over 1 million illiterate adults in Massachusetts. With this small allocation Massachusetts was able to serve only 80,000 adults.

The Administration's FY '86 level funding request would further impede the Commonwealth's ability to service these needy adults and would actually represent a nearly 5% loss in real dollars.

	FY '81	FY '84	FY '85	Proposed FY '86
National	100 M	100 M	100.0 M	100.0 M
% Change	---	-0-	-0-	-0-
State Share	2.4 M	1.9 M	2.1 M	2.1 M
% Change	---	-20.8	10.5	-0-

State Grants for Strengthening Skills of Teachers and Instruction in Mathematics, Science, Foreign Language and Computer Learning.

Program Description

On August 11, 1984, the President signed into law the Education for Economic Security Act (P.L. 98-377). The Act is designed to improve the quality of mathematics and science teaching and instruction in the United States. Title II of the Act authorizes the Secretary to make financial assistance available to States to improve the skills of teachers and instruction in mathematics, science, foreign languages, and computer learning. For FY 1985, Congress has appropriated $100,000,000 for all programs authorized under Title II including funds required for the Secretary's Discretionary Fund. Each State's allotment is based on the total number of children aged five to seventeen, inclusive, within the State compared to the total number of those children in all the States.

The Program in Massachusetts

Massachusetts will receive approximately $2 million from Title II. Of this amount, 30% is earmarked for higher education programs. Activities will include: (1) competitive grants to colleges and universities for teacher training, retraining and in-service education; (2) cooperative demonstration programs involving higher education institutions, LEAs, SEAs, business and industry, and private nonprofit organizations; (3) and State assessment, administration and evaluation.

The remaining 70% of the State award is earmarked for elementary and secondary education initiatives and is further divided into two parts: 70% for LEAs and 30% for the SEA. LEA funds will be distributed by the SEA based 50% on each district's relative share of the state's public and private school enrollment and 50% on each district's relative number of children from families with incomes below the poverty level.

LEA funds are to be used for in-service training and retraining of school personnel in mathematics and science. If this training need has been met, the funds may be used for training in computer learning and instruction, foreign language instruction, and materials and equipment related to mathematics and science instruction.

With its share, the SEA will conduct: (1) programs for teacher training, retraining, and in-service education or for use in instructional materials and equipment including special projects for underrepresented populations and gifted and talented; (2) technical assistance; and (3) statewide assessment, administration and evaluation.

The statewide assessment will include a description of current practice; initiatives to be undertaken to improve instruction in mathematics, science, computer learning, foreign language; and five-year projections regarding the quality of the teaching force, teacher certification standards, the availability of adequate curricula and access to quality instruction by underrepresented populations.

The assessment is to be developed in consultation with the Governor, the State Legislature, the State Board of Education, LEAs and representatives of vocational schools, higher education institutions, teacher organizations, private industry, nonpublic schools and public organizations such as libraries, museums, educational television and professional mathematics and science associations.

FY '86 Budget Proposal

	FY '85	Proposed FY '86
National	100 M	100 M
State Share	2 M	2 M

The State figure does not include funds available through the Secretary's discretionary fund.

At the current appropriation level, small districts in Massachusetts would receive the incredible amount of $25; an average affluent suburb, $1,324; and a city (in this case Fall River), $21,381. These grants amount to approximately one eighth of LEA ECIA Chapter 2 grants.

The LEA grants will be inadequate in most cases to support training programs which will make any real difference in the quality of instruction in mathematics and the sciences. In addition, smaller districts may find the amount of the grant too small to reimburse them for the time and effort of completing the application and undertaking the needs assessment.

At the state level, Massachusetts will have approximately $20,000 available for SEA administration and the detailed SEA needs assessment. This is not an adequate amount of funds to carry out the duties outlined in the legislation and draft regulations.

Program Description

The Excellence in Education Act (EEA) was designed to provide grant assistance for individual public schools across the country that are implementing the recommendations made by the National Commission on Excellence in Education in its report, "A Nation At Risk: The Imperative for Educational Reform," or are otherwise striving to improve the quality of elementary or secondary education. The grant amounts will be based on the size of the school, specifically, on the number of students enrolled in the school and the number of teachers teaching in the school.

Schools with fewer than 1,000 students and teachers could receive up to $15,000 for a one-year project or up to $30,000 for a two-year project. Schools with 1,000 or more students and teachers could receive up to $20,000 for a one-year project or up to $35,000 for a two-year project. Special school grants which require private sector financial contributions will also be made.

For FY 1985 Congress has appropriated $5,000,000 for the Excellence in Education program. It is anticipated that 250 or fewer grants, not in excess of $25,000 each, will be awarded to LEA's during FY 1985.

The Program in Massachusetts

Under the Excellence in Education program, the Chief State School Oficer may nominate 25 LEA's for consideration by the Secretary for the competitive grant funding. After a competitive review of the nominated schools, the Secretary will select those schols to receive awards. The awards will be made directly to LEA's.

The SEA receives no administrative monies for operating this program.

FY '86 Budget Proposal

	FY '85	Proposed FY '85	Proposed FY '86
National	$5 M	-0-	-0-

The President's FY '86 budget proposes the rescission of the Excellence in Education Program, claiming that "the new program would duplicate ongoing Federal activities...that recognize exemplary schools and practices." Money already appropriated by Congress must be rescinded through legislation which requires a simple majority vote by both houses of Congress.

Program Description

Under the Impact Aid program, payments are provided to school districts to compensate them for the cost of educating children when enrollments and the availability of revenues from local sources have been adversely affected by Federal activities.

In order to participate, a school district must have 3% of its total student population federally connected. To qualify as federally connected, the student's parent(s) or guardian(s) must live and/or work on federal property (this also includes federally subsidized low rent housing) or be on active military duty.

Students defined as "a children" are those who live and whose parents work on federal property or are on active duty and "b children" are those who live or whose parents work on federal property or are on active duty.

School districts are designated "Super a" districts if 20% or more of their average daily attendance is comprised of "a" children.

The Program in Massachusetts

The Impact Aid program currently involves 94 school districts in Massachusetts. The majority of students claimed in the state are "b" students, who live on section 8 federally subsidized housing or whose parents work on federal property.

FY '86 Budget Proposal

	FY '84	FY '85	FY '86
National			
"a" children	457.7 M	513 M	513 M
"b" children	77.5 M	130 M	-0-
Special Provisions	20 M	22 M	20 M
Total	555.2 M	665 M	533 M
% change	---	19.8	-19.9
State Share	5.71 M[2]	*	**

[1]Totals do not include construction or disaster assistance funds.

[2]Payments are still incomplete

*Applications for FY '85 funding are still being completed

**Due to the federal requirements in the application process, this figure cannot be calculated at this time.

The Administration is proposing the elimination of funds for "b" children, claiming that "the presence of these children imposes little or no burden on most districts."[4] Massachusetts schools will lose a minimum of $5 million and because of limitations imposed by Proposition 2½, will have great difficulty in making up this deficit.

If the Administration's budget proposal is enacted, 120 cities and towns in the Commonwealth would be adversely affected.

[4]Dept of Education FY '86 Budget, p. 40

Program Description

Child Nutrition programs provide meals to children in schools, institutions, day care centers, and other settings outside the home. Federal assistance for this program is provided in the form of cash and commodities while state agencies provide partial funding, preparation, and distribution of meals. The programs which fall under Child Nutrition include school lunches and breakfasts, child care food, special milk program, summer food programs, and nutrition education and training.

The Program in Massachusetts

The School Lunch Program funds free or reduced-priced lunches for income-eligible children. All funds are distributed to the local education agencies (school committees) and other state-approved providers that operate the lunch programs. School Breakfast grants pay child-care institutions and schools to provide breakfast for children. The special milk grant encourages consumption of milk by children in child-care institutions such as day-care centers, settlement houses, summer camps, and in non-profit elementary and secondary schools.

The Child Care Food program helps initiate, expand, and maintain non-profit food service programs in child care institutions. The program does not operate in schools. Funds from the Summer Food Service Program for Children promote the continuation of food services for children who receive free or subsidized food services during the school year and are in public child care institutions during the summer.

The Temporary Emergency Food Assistance Program provides limited food products to needy households throughout the Commonwealth by means of a broad-based distribution network. This includes providing surplus dairy products to needy individuals on a regular basis, as well as a broader range of commodity foods for use at congregate feeding sites.

Finally, the Nutrition Education Program provides grants to a) conduct experimental or demonstration projects to teach school children the nutritional value of foods and the relationship of nutrition to health; b) carry out research and relevant developmental projects; and c) develop materials and techniques for innovative presentation of nutritional information.

FY '86 Budget Proposal

The Administration's budget proposes to reduce expenditures in Child Nutrition programs by $500 M in FY 1986, $900 M in FY 1987 and $1 B in FY 1988.

To help reduce outlays, the Administration is proposing to eliminate cash and commodity subsidies for supposedly "non-needy" children (185% of poverty level) served in the School Lunch, School Breakfast and Child Care Food programs. This means the children in a family of four earning above $18,870 will no longer be eligible for the program. Under current law, however, every lunch served is federally subsidized regardless of the income of the student. Generally the upper income participation supports the cost of the rest of the School Lunch program making it feasible to carry out such a program in most schools.

To further reduce federal outlays the Administration proposes eliminating the Cost of Living Adjustment to child nutrition meal reimbursement rates.

	FY '81	FY '84	FY '85	Proposed FY '86
National	2.8 B	3.6 B	3.8 B	3.4 B
% Change	---	28.5	5.5	-10.5
State Share	55 M	61 M	62.7 M	56.1 M
% Change	---	10.9	2.7	-10.5

Currently in Massachusetts 450,000 children a day participate in the School Lunch Program. If the Administration was able to implement its 185% of poverty level eligibility requirement, approximately half of all students now participating in the program would be ineligible.

Besides drastically reducing the number of eligible students, the Administration's proposal could also force most smaller school districts to completely abandon the program because it would no longer be cost effective since the upper income payments support the cost of the rest of the School Lunch Program.

Educational Revenues, By Level of Government: 1983-1984

Region and State	Federal			State and Local		
	Amount (in millions)	Per Capita (in dollars)	Percent of Total Expenditure	Amount (in millions)	Per Capita (in dollars)	Percent of Total Expenditure
New England						
Connecticut	102.6	32.70	5.2	1,882.9	600.03	94.8
Maine	45.1	39.35	7.8	535.5	467.28	92.2
Massachusetts	134.6	23.34	4.5	2,834.9	491.57	95.5
New Hampshire	16.3	17.00	3.7	423.9	442.02	96.3
Rhode Island	21.7	22.72	4.6	447.9	469.01	95.4
Vermont	17.7	33.71	5.7	291.4	555.05	94.3
Total or Average	338.0	27.06	5.0	6,416.5	513.73	95.0
Mid-Atlantic						
Delaware	32.4	53.47	9.4	314.1	518.32	90.6
Maryland	139.0	32.30	5.6	2,347.7	545.47	94.4
New Jersey	203.7	27.28	3.8	5,169.0	692.15	96.2
New York	444.0	25.13	3.8	11,350.2	642.45	96.2
Pennsylvania	280.0	23.54	4.3	6,243.5	524.88	95.7
Total or Average	1,099.1	26.21	4.1	25,424.5	606.21	95.9
Midwest						
Illinois	490.8	42.73	7.6	5,932.9	516.53	92.4
Indiana	146.2	26.68	5.7	2,411.8	440.19	94.3
Iowa	90.9	31.29	5.4	1,604.1	552.19	94.6
Michigan	272.0	29.99	4.3	5,998.0	661.37	95.7
Minnesota	112.8	27.22	4.5	2,418.7	583.66	95.5
Ohio	300.0	27.92	5.2	5,490.0	510.89	94.8
Wisconsin	119.7	25.19	4.4	2,604.9	548.28	95.6
Total or Average	1,532.4	31.54	5.5	26,460.4	544.68	94.5
Northeast	1,437.1	26.40	4.3	31,841.0	584.99	95.7
Midwest	1,532.4	31.54	5.5	26,460.4	544.68	94.5
Northeast and Midwest	2,969.5	28.83	4.8	58,301.4	565.98	95.2
South	3,238.7	43.40	9.1	32,497.4	435.45	90.9
West*	1,994.0	35.39	6.5	28,466.7	505.26	93.5
South and West	5,232.7	39.95	7.9	60,964.1	465.48	92.1
U.S. Total or Average	8,202.2	35.06	6.4	119,265.5	509.73	93.6

*Figures for Missouri are included under West: Federal: Amount -- $158,700,000; Per Capita -- $31.93; Percent of Total Expenditure -- 7.5 percent; State and Local: Amount -- $1,968,700,000; Per Capita -- $396.12; Percent of Total Expenditure -- 92.5 percent.

SOURCES: Staff calculations from National Education Association, "Estimates of School Statistics, 1983-1984," Washington, D.C., 1984, and U.S. Department of Commerce, Bureau of the Census, "Current Population," Series P-25, No. 951, May 1984.

Selected Education Programs: Fiscal 1985
(in thousands of dollars)

Region and State	Elementary and Secondary Chapter I	Elementary and Secondary Chapter II	Vocational
New England			
Connecticut	41,633	6,089	7,551
Maine	17,322	2,473	4,077
Massachusetts	89,039	11,002	16,991
New Hampshire	8,833	2,473	2,978
Rhode Island	12,934	2,473	3,040
Vermont	8,954	2,473	1,938
Total	178,715	26,983	36,575
Mid-Atlantic			
Delaware	12,663	2,473	1,870
Maryland	58,335	8,567	12,022
New Jersey	114,717	14,812	18,631
New York	374,570	34,516	48,052
Pennsylvania	170,527	23,077	35,919
Total	730,812	83,445	116,494
Midwest			
Illinois	179,519	23,525	31,351
Indiana	51,887	11,731	18,152
Iowa	30,304	5,933	8,959
Michigan	143,821	19,715	28,701
Minnesota	41,221	8,442	12,530
Ohio	120,040	22,463	33,364
Wisconsin	52,745	9,857	15,205
Total	619,537	101,666	148,262
Northeast	909,527	110,428	153,069
Midwest	619,537	101,666	148,262
Northeast and Midwest	1,529,064	212,094	301,331
South	1,265,276	155,404	241,029
West*	752,486	118,014	156,437
South and West	2,017,762	273,418	397,466
U.S. Total[1]	3,546,826	485,512	698,797

*Figures for Missouri are included under West: Elementary and Secondary: Chapter I -- $53,499,000; Chapter II -- $9,868,000; Vocational -- $16,007,000.

[1]U.S. figures do not include funds for Puerto Rico or the Territories.

SOURCE: Staff calculations from U.S. Department of Education, Office of Planning, Budget and Evaluation, unpublished data, December 5, 1984.

EXECUTIVE OFFICE OF ELDER AFFAIRS

Program Description

The Older Americans Act authorizes social services, nutrition, and employment services for older citizens. Despite the Administration's attempts to reduce funding under the Act in previous years, Congress level funded services in FY 83 and FY 84. In 1984 Congress fine tuned the Act during the reauthorization process. A twelve percent increase in funding was authorized for FY 85 and a further five percent increase was authorized for FY 86 and 87. Funds for administration were consolidated with the Social Service program. Authorization levels approved by Congress were:

Social Services*	$325.7	$343.6
Congregate Meals	360.0	376.5
Home Delivered Meals	69.1	72.0

*Includes funding for administration

The Program in Massachusetts

Social Services

The Older Americans Act funds three types of social services: access, community services and in-home services. Services are delivered through a broad network of Area Agencies on Aging, Home Care Corporations, multi-purpose senior centers, and Councils on Aging.

Access services include transportation, outreach, and information and referral. Community services encompass legal, escort, residential repair and renovation, and health services. Some of these services are also available from the state-funded home care program. In-home care includes homemaker, home health aids, visitation or phone reassurance, and chore maintenance services. Over 300,000 older citizens will receive services under the Act. Eligibility is not income tested.

Nutrition

The state operates Congregate and Home Delivered Meal programs through 350 sites across the state. The Nutrition program totalled over $20 million in FY 84 from federal, state, and local sources and donations. Over 6 million meals were served. The Older Americans Act accounts for 41% of FY 84 nutrition expenditures and funding, and surplus commodities from the U.S. Department of Agriculture accounted for 17% of the program's funding. State funding contributed 24%, donations from seniors 18% and local governments 1%.

Fifty-five percent of the meals are served in congregate meal sites and 45% are delivered to homebound senior citizens. The Older Americans Act gives states the flexibility to transfer funds between the Home Delivered and Congregate Meal programs. Massachusetts has used this flexibility to transfer $1.8 million to the home delivered meals program. The home delivered meals program is an important component of the state's overall effort to maintain older persons in their homes as an alternative to nursing home care.

FY '86 Budget Proposal

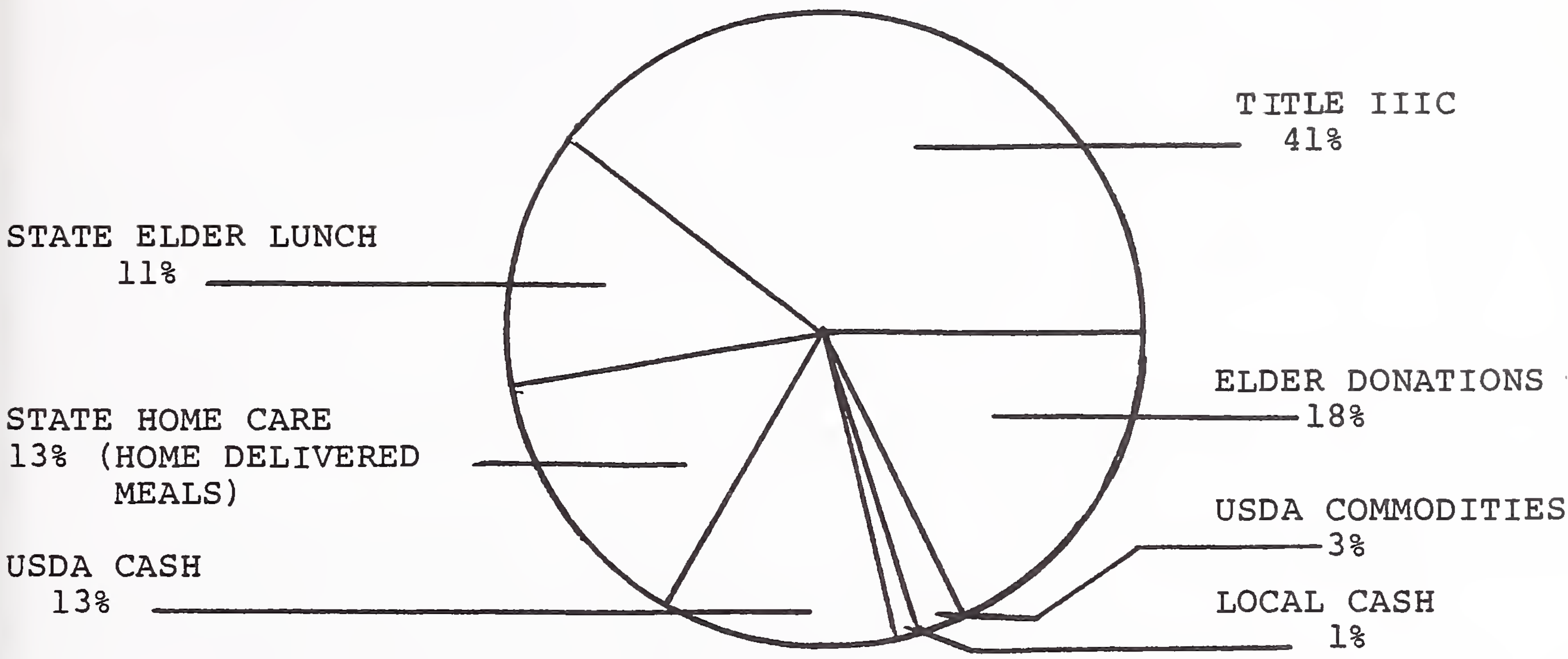
Program	FY '81 National	FY '81 State	FY '84 National	FY '84 State	FY '85 National	FY '85 State	FY '86 National	FY '86 State
Social Services	252.0	6.8	240.0	6.6	265.0	6.9	265.0	6.9
Congregate meals	295.0	79	319.0	8.4	336.0	8.7	336.0	8.7
Home delivered	55.0	1.5	62.0	1.6	68.0	1.8	68.0	1.8
Administration	22.7	.5	22.0	0.4	*		*	

*The Older American's Act Amendments of 1984 eliminated the separate appropriation authority for state agencies to administer these programs. States may now use a certain percentage of their total social services and nutrition allotments for administrative costs. Thus in our table, the FY '85 and '86 administrative funds are included in the Social Service and meals activities.

Reversing his original FY '84 budget proposal to consolidate Federal aid to the elderly into one block grant, the President signed a three year reauthorization of the Older Americans Act during the 98th Congress.

This 1986 budget request reflects the President's new understanding that elderly programs should not be block granted. However, the Administration has requested level funding in the nutrition and social service programs. The State should expect to receive the same allocation of federal dollars in FY '86 as it did in FY '85. Level funding coupled with 4.3% inflation would result in a loss of 28.6 million in real dollars nationally in elder programs and $747,000 for these programs in the Commonwealth.

STATE NUTRITION PROGRAM
EXPENDITURES, FY 84



FINAL PROJECTED STATE NUTRITION PROGRAM
EXPENDITURES FY 84:

TITLE IIIC	$ 8,088,253
STATE ELDER LUNCH	2,140,000
STATE HOME CARE H.D. MEALS	2,627,208
ELDER DONATIONS	3,678,474
USDA CASH	2,610,565
USDA COMMODITIES	659,262
LOCAL CASH	228,839
TOTAL	$ 20,032,601

IN FY84, BASED ON NINE MONTHS COST AND RESOURCES FROM OCTOBER 1, 1983 TO JUNE 30, 1984, THE DEPARTMENT ESTIMATES THERE WILL BE 5,920,296 MEALS SERVED IN THE STATE NUTRITION PROGRAM: 55% OR 3,266,189 OF THE TOTAL ESTIMATE WILL BE CONGREGATE MEALS AND 45% OR 2,654,107 ESTIMATED MEALS WILL BE HOME DELIVERED.

Program Description

The Older Americans Act authorizes part-time employment opportunities for those over 55 years. The program is administered by the Department of Labor through eight national contractors and grants to state agencies.

Since the wage payment is fixed by law, approximately 63,800 job opportunities are expected to be provided nationally for elder workers in 1985 and 1986.

The Program in Massachusetts

The Executive Office of Elder Affairs has received $1.6 million in FY '85 from DOL and funds 309 senior aide positions. National sponsors have funded another 1,213 slots for a total of 1,522 positions throughout the state, totalling over $6 million for both programs.

Those over age 55 with incomes below 125% of the poverty level ($6,225 for a single person and $8,400 for a couple) are eligible. Aides work 20 hours per week, primarily in social service agencies.

FY '86 Budget Proposal

In FY '85 $326 million was provided nationally for older Americans employment. The Administration has proposed the same $326 million level funding for FY '86.

	FY '85	Proposed FY '86
National	$ 326 M	$ 326 M
State Share	$ 1.6 M	$ 1.6 M

EXECUTIVE OFFICE OF ENERGY RESOURCES

I. DEPARTMENT OF ENERGY

Program Description

The Department of Energy provides a range of energy conservation grants to states to operate state energy programs, award small conservation grants and fund conservation projects in schools and hospitals.

The Programs in Massachusetts

The State Energy Conservation Program (SECP) is the largest single source of DOE funds to the state's Energy Office, comprising over 50% of present funding. This grant funds central planning and administration for all conservation activities under the Office.

The state receives funds to offer information and technical services to small businesses and community organizations on conservation options and costs through its Energy Extension Services (EES) grant.

The Schools and Hospitals Programs (also known as the Institutional Conservation Program) provide energy audits, and financial assistance to schools, hospitals, municipal buildings and public care institutions to develop and implement conservation techniques.

In FY '85 the state received $.5 million from the SECP grant, $.2 million for EES and $1.4 million for Schools and Hospitals.

FY '86 Budget Proposal

The President's budget calls for a total of $64.3 million for the SECP, EES and Schools and Hospitals Programs. Funds for the Schools and Hospitals Program totalling $37.6 million are to be derived from the oil overcharge litigation settlements. The budget also proposes a gradual phase out of the three energy conservation programs over the next five years.

	FY '81	FY '84	FY '85	Proposed FY '86
SECP				
National	26.9 M	23.6 M	23.5 M	18.8 M
% Change		-12	-.4	-20
State Share	.6 M	.5 M	.5 M	.4 M
% Change		-16	-0-	-20
EES				
National	18.5 M	10.0 M	9.8 M	7.9 M
% Change		-46	-2	-19
State Share	.4 M	.2 M	.2 M	.16 M
% Change		-50	-0-	-20

Schools & Hospitals (ICP)

National Share	149.9 M	48.0 M	47.0 M	37.6 M
% Change		-68	-2	-20
State	4.0 M	1.3 M	1.4 M	1 M
% Change		-68	+8	-29

The funding levels for the above energy conservation programs have dropped drastically since 1981. As a result, states have had to reduce staff and cut back their programs. In FY '85 the Administration proposed terminating the SECP and EES programs and to finance the Schools and Hospitals Program from the oil overcharge litigation settlements. However, Congress rejected the Administration's proposal and funded the SECP at $23.5 million, EES at $9.8 million and the Schools and Hospitals Program at $47.0 million out of general revenues.

Once again, the President is proposing to fund the Schools and Hospitals Program as well as the Low-Income Weatherization Assistance Program and a portion of the Low-Income Home Energy Assistance Program (LIHEAP) from oil overcharge litigation settlements. This proposal, which requires legislation may be problematic because many members of Congress believe that those funds should supplement rather than supplant current funding sources.

Under the FY '86 budget proposal, the Commonwealth will lose $.55 million in federal assistance for the three energy conservation programs. If the programs are phased out over the next five years, the state will lose a total of $6.8 million.

II. SOLAR ENERGY AND ENERGY CONSERVATION BANK (ECB) (HUD)

Program Description

The Solar Energy and Energy Conservation Bank (ECB) was authorized in 1980 as part of the Energy Security Act. The program provides funds to subsidize loans and to make grants for installation of energy conservation and solar energy improvements in single family homes, multi-family dwellings, and agricultural and commercial buildings.

The Program in Massachusetts

The Commonwealth received a total of $3.25 million from the ECB in FY '84 and FY '85. Of that amount, $1 million was used for a Loan Subsidy Program which operates in eight regions of the state. The remaining $2.2 million was transferred to the Massachusetts Weatherization program (see weatherization section). It is important to note here that according to information received from federal authorities, the Commonwealth is leading the nation in the disbursement of ECB program funds.

FY '86 Budget Proposal

The FY '86 budget proposal contains no funding for the Solar Energy and Energy Conservation Bank. It assumes that the program will be liquidated when the current authorization for the program expires in FY '86.

Implementation of the ECB, nationwide, has suffered from repeated obstructions by the Reagan Administration. Since the program was enacted in 1980, the Reagan Administration has repeatedly attempted to rescind program funds, despite a mandate from Congress to expedite program implementation.

It was not until a lawsuit in 1982 and court-supervised implementation proceedings that the Department of Housing and Urban Development (HUD) requested proposals from states interested in operating the program; it was not until May, 1983 that HUD adopted cumbersome, interim regulations to govern the program; it was not until March, 1984 that HUD adopted final program regulations.

No appropriation for the program was requested in the Administration's FY '85 budget. However, Congress funded the program in FY '85 at $15 million. The major issue will be whether Congress will reauthorize and fund the program in FY '86.

EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS

Program Description

The Clean Air Act is the federal mandate for prevention and control of air pollution. When the Act was passed, acid precipitation -- commonly referred to as acid rain -- was not recognized as a serious environmental threat. Increasing evidence that this is indeed the case led to passage of the Acid Precipitation Act of 1980, which established the Interagency Task Force on Acid Precipitation to oversee the National Acid Precipitation Assessment Program (NAPAP). The goal of NAPAP is to develop and progressively improve on an objective and comprehensive information base for use by decisionmakers. NAPAP focuses on research, monitoring and assessment activities. The Interagency Task Force develops the annual interagency budget for NAPAP to distribute funds to over a dozen agencies. The Task Force also issues an annual report to the President and Congress on the status of science and research progress; however, it has no mandate to recommend specific actions for mitigation and control.

The Program in Massachusetts

Massachusetts plays no specific role in the NAPAP process. The state receives its air quality management funds under Sec. 105 of the Clean Air Act, which has no acid precipitation component. However, a special one-time-only Sec. 105 grant of $250,000 was awarded to Massachusetts for 1985 to support three acid precipitation-related projects (See Clean Air Act Sec. 105).

FY '86 Budget Proposal

	FY '82	FY '83	FY '84	FY '85	FY '86
National	$17.4	$22.3	22.8	37.6	$60.5
% Change	---	28	+2	+65	+61

The focus of EPA's solution to the acid rain problem is the same as in 1985: more research. Specifically, EPA will increase research dollars 60% from 1985, to a total of $60.5 million. The '86 program highlights include expanded research on forest and aquatic effects, and enhanced monitoring of dry deposition. It decreases funding by $12.3 million for evaluation of the Limestone Injection Multistage Burner (LIMB) process, which may prove to be an effective and inexpensive alternative emission reduction technology for sulfur oxides (SO_x) and nitrogen oxides (NO_x)from coal-fired utility boilers. SO_x and NO_x are believed to be the two primary precursors of acid rain. From Massachusetts' perspective, this "research-only" approach to dealing with this problem - which is effectively a "no-action" program - has serious consequences for the state's public health and environment.

Testing of more than 1,200 water bodies across Massachusetts has shown that 82% of these lakes, streams and reservoirs are sensitive to acid precipitation.

Twenty percent, including the Quabbin Reservoir are critically close to losing their capacity to neutralize acid inputs, and between 5-10 percent are already acidified.

The 1984 document Acid Rain and Related Air Pollution Damage: A National & International Call to Action, published by the Commonwealth, concludes that damage to natural and human-made resources from acid deposition and other forms of air pollution is severe and occurring throughout the world. Damages accrue to human health, land, water, and buildings. The Commonwealth recommends that immediate action must be

taken to reduce acid precipitation and air pollution in the United States through emission reductions and revision of the National Ambient Air Quality Standards.

The Reagan Administration contends that Congress and the public cannot make effective decisions on this problem while questions remain unanswered regarding the sources and characteristics of acid rain as well as the extent of actual and potential damage to the environment. Thus, although thousands of studies and reports have been compiled by government and private organizations documenting environmental damage, health effects, and costs and methods of control, the Administration chooses to direct government efforts toward increasing the scientific information base.

Until the Clean Air Act is reauthorized with provisions for a national acid precipitation control program, states assume the burden of protection of public health and the environment from this form of air pollution. Massachusetts is currently active in efforts to enact state, regional and national control plans. It is also conducting five state-funded acid precipitation projects through the Executive Office of Environmental Affairs.

Program Description

The nation's current water pollution control program is authorized by the Federal Water Pollution Control Act of 1972, as amended in 1977 and 1981. This statute prescribes a federal-state cooperation whereby federal funds administered by EPA support state water quality management programs. Section 201 of the Act gives authority for EPA to make grants to States to distribute to local public agencies for construction of municipal wastewater treatment facilities. This is the nation's second largest public works program.

The Program in Massachusetts

The Construction Grants Division of DEQE administers the Section 201 funds. EPA funds are allocated to the State agency on the basis of population, need, and other criteria. In 1984, for example, the Massachusetts draft needs survey indicated that by the year 2000, $4.185 billion would be necessary to fund municipal wastewater treatment facilities - 4.9% of the total national dollars available.

Cities, towns, and the new Massachusetts Water Resources Authority are eligible to submit proposals to DEQE to receive a share of these funds. Originally, projects were eligible for 75% federal funding; as a result of the 1981 amendments to the Act, the Federal share is now limited to 55% with the State responsible for 35% and local governments responsible for the remaining 10%. The State contribution of 35% is generated from the sale of bonds. Three bond issues have been sold totalling $550 million.

FY '86 Budget Request

	FY '81	FY '84	FY '85	Proposed FY '86
National	$ 3.7 B	$ 2.4 B	$ 2.4 B	$ 2.4 B
% Change	---	-35	0	0
State Share	$93.0 M	$ 83 M	$ 83 M	$ 83 M
% Change	---	-11	0	0

The Administration has proposed a $2.4 billion national appropriation for FY '86. Although this continues funding levels established in 1982, the budget recommends that EPA funding of construction of sewage treatment plants be phased out by 1990 and that 1986 and future grants be limited to "ongoing" projects. This proposal assumes that by 1990 the original objective of the program -- to reduce pollution from municipal waste -- will largely be achieved. In the future, communities will be expected to finance waste treatment facilities through market sources and assistance from State governments.

This phase-out will have to be accomplished through legislation to reauthorize the Clean Water Act, which expires September 30, 1985. The Administration's legislative proposal will outline the phase-out of construction grants according to the following schedule: FY '86 - $2.4B; FY '87 - $1.8B; FY '88 - $1.2B; FY '89 - $600M; FY '90 - $0.0. The legislative proposal will honor previous funding commitments to "ongoing" projects. The effect of the proposal on Massachusetts is contingent on the definition of "ongoing." In the various FY '86 Budget documents issued by the OMB and EPA, "ongoing" has been defined as "projects which have already received federal funding;" or "projects already

underway." This has been interpreted by some to mean "those projects that will enter a construction phase by fiscal 1990," and "existing projects which are under construction or which have some segment scheduled for construction up to 1990."

In a worst-case scenario, using the latter interpretation, numerous critical projects which have been in the preliminary and final planning stages for several years would thus be dealt a crippling blow.

One of the most serious concerns is the impact on Boston Harbor clean-up. The planning and design for upgrading the Deer and Nut Island treatment plants will not be completed before 1990. Thus, construction which is estimated to cost at least $1.250 billion, will not be eligible for federal funds. The vigorous efforts over the past year towards enacting legislation to reduce this pollution problem would be seriously compromised.

EPA Wastewater Treatment Construction Grants Program
(in millions of dollars)

Region and State	Estimated Fiscal 1985 Allocations	Percent of Total	1982 Needs Survey: EPA Needs Survey Amount[1]	Percent of Total
New England				
Connecticut	30	1.3	2,180	1.8
Maine	19	.8	1,415	1.2
Massachusetts	83	3.5	5,154	4.4
New Hampshire	24	1.0	1,410	1.2
Rhode Island	16	.7	673	.6
Vermont	12	.5	500	.4
Total	184	7.7	11,331	9.6
Mid-Atlantic				
Delaware	12	.5	436	.4
Maryland	59	2.5	1,227	1.0
New Jersey	100	4.2	6,216	5.3
New York	271	11.3	17,295	14.6
Pennsylvania	97	4.0	6,390	5.4
Total	539	22.5	31,565	26.7
Midwest				
Illinois	111	4.6	4,470	3.8
Indiana	59	2.5	3,950	3.3
Iowa	33	1.4	1,444	1.2
Michigan	105	4.4	5,239	4.4
Minnesota	45	1.9	1,481	1.3
Ohio	138	5.8	7,312	6.2
Wisconsin	66	2.8	2,431	2.1
Total	557	23.3	26,326	22.2
Northeast	724	30.2	42,896	36.2
Midwest	557	23.3	26,326	22.2
Northeast and Midwest	1,280	53.5	69,222	58.5
South	565	23.6	27,633	23.3
West*	514	21.5	19,918	16.8
South and West	1,078	45.1	47,551	40.2
U.S. Total	2,394	100.0	118,364	100.0

*Figures for Missouri are under West. Estimated Fiscal 1985 Allocations -- $68 million; Percent of Total 2.8, EPA Needs Survey Amount -- $3.082 billion; Percent of total --2.6.

[1]This column contains EPA's assessments of year 2000 needs, in 1982 dollars, for construction of publicly-owned treatment facilities.

SOURCES: Staff calculations from U.S. Environmental Protection Agency, Estimates for the Wastewater Treatment Construction Grants Program, unpublished data, 1981, and 1982 Needs Survey: Cost Estimates for Construction of Publicly-Owned Wastewater Treatment Facilities, December 31, 1982.

Program Description

The Federal Water Pollution Control Act requires states to administer programs to eliminate discharge of pollutants into lakes, rivers and oceans. Section 106 of the Act authorizes federal grants, administered by EPA, to state agencies which oversee the various projects designed to achieve the pollution control mandate.

The Program in Massachusetts

The Water Pollution Control Division of DEQE uses the EPA 106 grant money to support 32 professional and support staff to administer four major water pollution control programs:

- developing and implementing approved pretreatment programs;
- issuing permits, especially those controlling toxics and requiring implementation of approved pretreatment programs, under the National Pollutant Discharge Elimination System (NPDES);
- improving compliance (enforcement) with NPDES permits to assure that treatment facilities are properly constructed, operated and maintained;
- conducting research for improved NPDES permitting process and development of innovative and alternative technologies for municipal wastewater treatment.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	$55.5 M	$54.2 M	$61.2 M	$64.9
% Change	---	-2.3	+13	+6
State Share	1.1 M	1.3 M	1.3 M	1.3
% Change	---	+18.2	-0-	-0-

The Commonwealth is dependent upon Federal funds for approximately 70% of its water pollution control programs. Since 1984 the state share of the total federal dollars available has remained essentially the same. Two factors cause this constant funding level to represent, in effect, a cut in services.

First, the Water Pollution Control Division of DEQE has lost six staff members since 1981 due to a 25% inflation factor and a 45% increase in the cost of salaries to engineers. Federal dollars to the State to offset these cost increases have lagged behind at an 18% rise between '81-'86. Second, DEQE has assumed expanded program responsibilities, including toxic pollution control programs, groundwater permitting programs, implementation of new water quality standards, and increased responsibilities under the NPDES. If the President's FY '86 Budget is enacted, the estimated loss of federally-funded staff in 1986 will be at least six persons. This will result in a corresponding decrease in water pollution control services and an increased state burden to maintain water quality.

Program Description

The Federal Clean Air Act is a national plan for controlling and preventing air pollution. The Act establishes national ambient air quality standards for protecting public health and the environment from specific criteria pollutants, and mandates programs to meet these standards through installation of emission controls on pollution sources. The Act also establishes emission standards for controlling toxic pollutants and pollutants from mobile sources and major industrial facilities. State governments are responsible for devising and implementing programs to meet the national air quality standards. Section 105 of the Act authorizes grants to State air pollution control agencies to assist in the planning, development and implementation of such programs.

The Program in Massachusetts

In Massachusetts, the Air Quality Division of the Department of Environmental Quality Engineering administers air pollution control programs, including:

- developing policies and promulgating regulations to facilitate environmentally sound conversions from oil to alternative fuels (coal, wood, coal derivatives);
- reviewing and approving plans for disposal of hazardous waste by incineration;
- enforcing standards for burning wood and coal;
- collecting information concerning the environmental threats of acid deposition;
- implementing, in cooperation with the Registry of Motor Vehicles, the auto emission inspection and maintenance program.

In 1985 research on issues related to acid deposition became a priority Section 105 program. The Commonwealth received a total of $250,000 for three specific projects:

- examining issues on a national and state level related to the uses of inventories of sulfur dioxide and nitrogen oxide emissions (the two major pollutants that cause acid deposition);
- a case study of planning procedures and decision criteria used in Massachusetts in developing an acid deposition control strategy;
- evaluation of the advantages and disadvantages of incorporating emission trading and banking into state acid deposition control strategies.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	87.6 M	87.7 M	90.7	95.0 M
% Change	---	-0-	+3.4	+4.7
State Share	2.5	2.5 M	2.6 M	2.7 M
% Change	---	-0-	+4	+3.9

Between FY '81 - FY '84, total EPA Section 105 funds remained nearly constant - approximately $87 M. In FY '85, Section 105 funds increased marginally to $90.7 M, three million of which was earmarked for state acid rain research projects. The FY '86 Budget Request represents another marginal increase to $95.0M. The Massachusetts share of this total will be $2.7 M, representing an increase of 3.9% from FY '85.

The FY '86 EPA grants increase is meant to fund several new programs:

- enhanced enforcement activities to obtain and maintain source compliance with state implementation plan (SIP) requirements, new source performance standards (NSPS) and National Emission Standards for Hazardous Air Pollutants (NESHAP);

- purchase of new or replacement monitors, and

- improved state air toxics assessment and regulatory activities.

There is no Sec. 105 money directed toward acid rain research as in FY '85.

If the proposed budget is enacted, Massachusetts will not receive sufficient resources to fulfill the Administration's FY '86 new program mandate. Since 1981, consistent underfunding of Section 105 has forced DEQE to reduce its federally-funded Air Quality staff from 74 to 50; at the same time, the Division has dramatically expanded its services, including development of the air toxics program, implementation of auto emission inspection and monitoring, and initiatives toward solving the acid rain problem on both a state and national level.

SAFE DRINKING WATER ACT

Program Description

In 1974, the federal government established national drinking water quality standards by enacting the Safe Drinking Water Act. This act allowed individual States to achieve primary enforcement responsibility if the State adopted regulations that were at least equal to the Federal regulations. It is the responsibility of each state to ensure the protection and quality of its drinking water supplies. This is accomplished through monitoring, plan approval and enforcement action.

The Program in Massachusetts

Massachusetts was awarded primacy on December 1, 1977 for ensuring the protection of drinking water supplies in the Commonwealth. This responsibility is administered through the Department of Environmental Quality Engineering (DEQE).

The Safe Drinking Water Act (SDWA) grant funds to Massachusetts are based on the number of public water systems. This system inventory increased from 500 in FY '81 to approximately 2,093 in 1984 and is still on the increase.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	29.5 M	27.4 M	28.4 M	29.4
% Change	---	-7	4	3.5
State Share	542,049	363,500	375,000	388,000
% Change	---	-33	3	3.5

The summary above shows a gradual decline of funds received from EPA during fiscal years 1983-85. The slight increase in FY '85 was outweighed by inflation and additional requirements which dramatically increased the number of sanitary surveys. This overall reduction in funding forced the state to reduce its federally-supported staff from 19 to 11. This has had an adverse effect on the state's ability to carry out our mandates under the law.

Program Description

The Hazardous Waste Superfund was created by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) of 1980 to address the threats to public health and the environment by uncontrolled waste sites and spills. The fund is financed by special taxes on industries and general revenues.

To receive funds, states must submit sites to be placed on the national list of eligible projects. Funds are awarded to states via cooperative agreements to conduct planning and development of long term clean-up solutions and implementation of the plans.

The Program in Massachusetts

As of FY '84, Massachusetts had placed a total of 21 hazardous waste sites on the national priority list: an EPA ranking of the nation's worst hazardous waste sites. EPA has obligated $16.6 million in CERCLA funds for the assessment and clean-up of these sites. This clean-up process is lengthy and complicated, requiring at least three to four years before completion. In fact, most Massachusetts sites are still in the investigatory stages, and it will be two to three years before actual remedial actions can begin at all of the sites.

The Commonwealth has also established its own state Superfund to be used for emergency response to spills or incidents involving hazardous materials; for the state's match for CERCLA remedial action; and state-funded site assessment and remedial action.

The following lists the Massachusetts hazardous waste sites which have been placed on EPA's National Priority List:

BAIRD & MCGUIRE INC
CANNON ENGINEERING CORP
CHARLES GEORGE LAND RECLAMATION LANDFILL
F. T. ROSE SITE
GRANT GEAR
GROVELAND WELLS 2 & 2
HAVERHILL MUNICIPAL LANDFILL
HOCOMONCO POND
INDUSTRI-PLEX 128
IRON HARSE PARK/B & M RAILROAD
NEW BEDFORD HARBOR
NYANZA CHEMICAL
PLYMOUTH HRBR/CANNON ENGNR
PSC RESOURCES INC
RE-SOLVE INC
SALEM ACRES
SHPACK LANDFILL
SILRESIM CHEMICAL CORP
SULLIVANS LEDGE
WOBURN WELLS G & H
W R GRACE & CO

FY '86 Budget Proposal

The President has requested an additional $280 million for Superfund from $620 million in FY '85 to $900 million in FY '86

Superfund Funding Levels

	FY '81	FY '84	FY '85	Proposed FY '86
National	250 M	460 M	620 M	900 M
% Change	---	+119	+34	+45
State Share	.3 M	16.6 M	25.6 M	34.6 M*
% Change	---	543	54.2	35.0

*Approximate figure based on previous allocations.

Of the $900 million requested for Superfund, the Administration recommends that $160.2 million be used to expand the number of site designs and construction. Under the President's proposal, engineering designs will increase from 64 to 89, and remedial construction will increase from 25 to 56 in FY '86. Funds for implementation of planning will allow 135 new sites to enter this phase and by the end of FY '86, planning will have been initiated at 535 sites.

EPA also proposes to use $71.9 million of the Superfund allotment to step-up enforcement activities. During 1986, the Agency expects to initiate 80 court cases to compel clean-up activities and will allocate $25.4 million to other federal agencies for enforcement purposes.

The Superfund program expires in FY '86, so Congress must reauthorize the program in the next session. Last year, the House approved a $10 billion, five-year extension of the program. The Senate Environment and Public Works Committee reported a $7.5 billion reauthorization but the bill was never considered by the full Senate.

Program Description

This federal grant assists the states' development and operation of comprehensive hazardous waste management programs. The programs include the enforcement of regulations for controlling generation, storage, treatment, and disposal of hazardous waste.

The Program in Massachusetts

The Commonwealth's Division of Hazardous Waste reviews proposed sites for hazardous waste facilities, issues permits and licenses, and develops regulations governing the process. Federal funding for these activities increased from $542,000 in FY '81, to $1.6 M in FY '85.

The Massachusetts Hazardous Waste Program is currently responsible for licensing some 150 transporters and 80 facilities which treat, store and/or dispose of hazardous waste. In addition, the Division conducts an inspection and compliance program for over 4,000 known generators of hazardous waste.

FY '86 Budget Proposal

The EPA budget includes an increase of $8 million for this program for FY '86.

	FY '81	FY '84	FY '85	Proposed FY '86
National	48.0 M	46.8 M	57.1 M	65 M
% Change	---	-2.5	22	14
State Share	542,000	1.26 M	1.6 M	1.65 M
% Change	---	132	26.9	21

The table above shows a slight increase of federal funding for the state's hazardous waste regulatory program in FY '85. The increase was exacerbated by the reduced buying power of federal dollars coupled with an increase in regulatory responsibilities under the 1984 reauthorization of RCRA.

EXECUTIVE OFFICE OF TRANSPORTATION

FEDERAL-AID HIGHWAY PROGRAMS

Program Description

The Federal Highway Administration (FHWA) provides financial assistance to the states for the construction and improvement of roads, bridges and highways. All programs included within the Federal-aid account are financed from the Highway Trust Fund. This fund was established by Congress in 1956 and is supported by revenues from the nine cent gasoline tax. Authorizing committees in Congress set an obligational ceiling on the amount of money which can be authorized from the Trust Fund in any given year. For example, the 1982 Surface Transportation Assistance Act (STAA) established an obligation limitation on the Fund of $12.1 billion, $12.7 billion, $13.5 billion and $14.4 billion for fiscal years 1983, 1984, 1985 and 1986 respectively. Federal aid funds, other than those for use on Interstate highways, are apportioned to the states on the first day of the fiscal year for which they are authorized.

Funds for Interstate construction are apportioned to states one year in advance of the beginning of the fiscal year for which they are authorized, and are available for expenditure for two years. Unlike other federal aid programs, Interstate construction funds are allocated by a mechanism called the Interstate Cost Estimate (ICE). Every two years individual states submit to the Department of Transportation (DOT) an estimate of the cost of completing the Interstate system in their state. DOT usually submits these estimates to Congress in early spring for funding to be apportioned the following fiscal year. Interstate construction monies cannot be released to states until Congress approves an ICE containing apportionments for interstate projects in all fifty states. (For the last two years Interstate construction monies have been held-up due to Congress' failure to reach agreement on an Interstate Cost Estimate.)

The Program in Massachusetts

In Massachusetts, FHWA programs fund the design and construction of Interstate projects such as the proposed depression of the Central Artery and the construction of a Third Harbor Tunnel, and the resurfacing, restoration, rehabilitation and reconstruction of existing Interstates, such as the Southeast Expressway. Financial support is also provided for highways connecting urban areas (Primary), highways connecting rural areas (Secondary) and roads in urban development areas (Urban Systems). In FY 1985 these funds were used for a variety of projects including the design of the Pittsfield Bypass, the reconstruction of Cambridge Parkway and Monsignor O'Brien Highway and repairs to Route 1. Finally, a discretionary bridge program provides funds for the replacement of bridges in critical need of repair. In FY '85 these federal monies were used to replace hundreds of bridges throughout the Commonwealth.

FY '86 Budget Proposal

The Administration proposes an obligation limitation on the Highway Trust fund of $13.2 billion which would freeze total obligations from the Trust Fund at FY '85 levels, excluding emergency relief.

Under the proposed $13.2 billion ceiling for the Trust Fund, federal aid programs in Massachusetts would be level funded in FY '86 and '87. The Commonwealth's Interstate apportionment cannot be determined until Congress reaches an agreement on an Interstate Cost Estimate (ICE), containing allocations for Interstate projects in all fifty states.

Federal Aid Highway Programs:

Obligational Ceiling

	FY '81	FY '83	FY '84	FY '85	FY '86
Administration Proposal	NA	12.8 B	13.2 B	13.9 B	13.2 B
STAA Enacted Authorization Levels	NA	12.1 B	12.7 B	13.5 B	14.4 B
Programs (obligations)					
Interstate Construction					
National		3.6 B	4.3 B	4.1 B	4.1 B*
State		90.0 M	103.3 M	112.4 M	*
Interstate Transfer					
National		411.0 M	490.0 M	600 M	700 M
State		106.0 M	40.0 M	33.9 M	INA
4R (Resurfacing, Restoration, etc.)					
National		1.8 B	1.975 B	2.4 B	2.4 B
State		24.6 M	29.0 M	29.0 M	29.0 M
Primary					
National		1.8 B	1.8 B	2.0 B	2.0 B
State		35.3 M	40.6 M	36.5 M	36.5 M
Secondary					
National		633.8 M	550.0 M	500 M	500 M
State		6.3 M	6.3 M	5.3 M	5.3 M
Urban Systems					
National		780.7 M	800.0 M	700 M	700 M
State		17.1 M	21.9 M	23.3 M	23.3 M
Bridge Construction					
National		1.92 B	1.6 B	1.7 B	1.7 B
State		31 M	29.9 M	36.8 M	36.8 M
Hazard Elimination					
National		193.3 M	405.0 M	350 M	350 M
State		3.9 M	3.9 M	3.9 M	3.9 M

*Subject to passage of an Interstate Cost Estimate containing apportionments for all fifty states, including Massachusetts.

URBAN MASS TRANSIT ADMINISTRATION

The Urban Mass Transit Administration is the federal agency which provides financial assistance for public mass transportation. UMTA funds various programs authorized by the Urban Mass Transportation Act of 1974, as amended, 49 U.S.C. 1601 et seq.

Program Description

Discretionary Capital Assistance Program (Section 3)

Section 3 of the 1964 UMTA Act as amended, is one of the largest sources of federal funding for rebuilding the structure of mass transportation. Funds under the program are distributed by UMTA on a discretionary basis. Each fiscal year Congress appropriates monies for the program within an overall ceiling established by the 1982 Surface Transportation Assistance Act (STAA). The Secretary of Transportation apportions this lump sum on the basis of program applications.

Section 3 funds may be used for three categories of capital expenditures: (1) the purchase of buses, equipment and the construction of bus-related facilities, (2) the rehabilitation of tracks, trains and stations on older rail transit systems, and (3) the construction or extension of new transit systems. Increasingly UMTA evaluates applications for new starts according to the degree of cost-effectiveness of the proposed system, and the degree of local financial commitment to operate that system once built. Under all three categories of Section 3 funding, preference is given to extraordinary capital projects (new vehicles, stations, etc.) as opposed to routine replacements, which UMTA feels are more appropriately funded under Section 9. Section 3 capital grants are available for up to 75 percent of the net costs of a capital project.

The Section 3 program is financed through the Mass Transit Account of the Highway Trust Fund. The Highway Trust Fund is supported by revenues from the nine cent gasoline tax. Under the Surface Transportation Assistance Act of 1982 (STAA), one cent of the gasoline tax (approximately $1.1 billion annually) is earmarked for a Mass Transit Account to finance transit capital projects.

The Program in Massachusetts

The vast majority of capital projects undertaken by the Massachusetts Bay Transportation Authority (MBTA), and by the Commonwealth's 14 Regional Transit Authorities (RTAs) are financed from Section 3 grants. In FY 1985, approximately $70 million in Section 3 monies were used for systemwide improvements to the MBTA, including lengthening of platforms at the Broadway and Andrew Stations, the upgrading of the Red Line's power system to accommodate six-car trains, the renovation of rapid transit tunnels on the Green Line, the reconstruction of the Beverly-Salem commuter rail bridge which was destroyed by fire in December 1984 and the procurement of new commuter rail vehicles for the Authority's commuter rail system. The Montachusett Regional Transit Authority (MRTA) is utilizing $2 million in Section 3 grants to complete a bus garage in Fitchburg. The Brockton Regional Transit Authority is using $1.6 million in Section 3 grants to replace buses in Bridgewater and to expand Dial-A-BAT van service in Brockton.

FY '86 Budget Proposal

Discretionary Capital Assistance (Section 3)

	FY '81	FY '84	FY '85	Proposed FY '86
National	2.1 B	1.225 B	1.120 B	-0-
% Change	---	-41.6	-8.5	
State Share	81.1 M	65 M	70 M	-0-
% Change	---	-19.8	-7.7	

Proposed Distribution of Section 3

	FY '83	FY '84	FY '85	FY '86
Bus and bus facilities	500 M	195 M	130 M	-0-
Rail modernization	840 M	545 M	487 M	-0-
New starts	206 M	399 M	422 M	-0-
Total	1,691.6 B	1.225 B	1.120 B	-0-

The Administration proposes to abolish the Section 3 Capital Program after FY 1985, which would mean the loss of $1.1 billion in capital funds for public transportation throughout the nation. The Administration proposes to transfer the penny gas tax into the Section 9 Capital Assistance Program and allocate these monies on a discretionary rather than formula basis. The Reagan Budget also imposes a moratorium on all federal commitments to new starts, effective immediately. This moratorium will threaten new starts in Los Angeles, Miami, Houston, St. Louis, San Diego, Buffalo and Jacksonville.

In Massachusetts, the MBTA and the Commonwealth's 14 Regional Transit Authorities would lose approximately $70 million in capital subsidies if the Section 3 program is terminated after FY 1985. Faced with a massive reduction in the MBTA's capital budget, the Authority would have to defer many critical capital improvements, including: the reconstruction of tracks along the Green Line, the lengthening of platforms and the upgrading of tracks, power systems and stations along the Red Line, the purchase of commuter rail cars and locomotives, and the rehabilitation of tracks and bridges on commuter rail lines.

CAPITAL AND OPERATING FORMULA BLOCK GRANT
(Section 9)

Program Description

The Section 9 program combines operating and capital assistance in a block grant available to urban areas over 200,000 population and to urbanized areas of less than 200,000 population. Capital monies are provided for the rehabilitation of tracks, stations and terminals and the replacement of buses, rolling stock and related equipment. Operating monies may be used to subsidize van, bus, rapid transit and commuter rail services. Section 9 grants are available for up to 80 percent of the net costs of a capital project and 50 percent for operating expenses.

Section 9 is financed through general revenues. Every fiscal year, Congress appropriates money for the program within an authorization ceiling established by the 1982 Surface Transportation Assistance Act (STAA). This amount is then apportioned by UMTA through separate formulas for bus and rail. Under the 1982 STAA, Section 9 operating grants are apportioned to urbanized areas as a percentage of the operating funding they received from UMTA in FY 1982. Urbanized areas of one million or more receive eighty percent of the operating funding they received in FY 1982. Urbanized areas between two hundred thousand and one million population receive ninety percent and areas of less than two hundred thousand receive ninety-five percent.

The Program in Massachusetts

The Section 9 Block Grant program is the only federal source of operating assistance for Regional Transit Authorities (RTAs), including the Massachusetts Bay Transportation Authority. In FY 1985, Section 9 provided for over thirty percent or $9.750 million of the total operating deficit of the RTAs. This money was used to subsidize regional bus, van and mini-bus service in one hundred and twenty communities outside the MBTA service area. The Berkshire Regional Transit Authority, for example, uses Section 9 funds to provide municipal and regional bus service to the City of Pittsfield and fourteen surrounding communities. Passenger fares account for forty-nine percent of the costs of operating BRTA bus service. Section 9 monies account for fifty percent of the costs of operating the system. The Massachusetts Bay Transportation Authority received $21.4 million in Section 9 operating subsidies in FY 1985. These funds were used to provide mass transit service to seventy-nine cities and towns in metropolitan Boston, as well as commuter rail service to communities, through contract with the Boston and Maine railroad. A dramatic reduction in federal operating subsidies would severely impact the operations of the (T) and the fourteen RTAs. Proposition 2½ has limited the ability of Regional Transit Authorities to raise assessments to member communities. Increases in passenger fares could not offset a decrease or elimination of federal subsidies without a dramatic loss in ridership.

In FY 1985 Section 9 capital grants are financing the purchase of one hundred advanced-design (MBTA) buses, the lengthening of platforms at South Station as a part of a larger program to increase train capacity along the Red Line, and the continued replacement of rapid transit vehicles and commuter rail rolling stock. This year $5 million in Section 9 funds are being used for the first phases of essential bus replacement programs in Springfield (PVTA), Fall River-New Bedford (SRTA), Lawrence-Haverhill (MVTA) and Worcester (WRTA). Approximately $5 million in Section 9 grants are financing the construction of bus garages in Taunton (GATRA) and Northampton (PVTA).

	FY '81	FY '84	FY '85	Proposed FY '86
National	N/A	26.1	26.2	-0-
% Change	---	---	-0-	-100%
State Share	N/A	.6	.6	-0-
% Change	---	---	-0-	-100%

Obligational Ceiling

	FY '81	FY '83 Actual	FY '84 Actual	FY '85 Actual	FY '86 Proposed
National:	INA	1.268 B	2.318 B	2.499 B	1.120 B
(Operating)			(875 M)	(875 M)	-0-
State Share	INA	67 M	72 M	75 M	31 M

State Breakdown of Section 9 Grants

RTA	FY 1983	FY 1984	FY 1985
MBTA:			
Total	42.3 M	54.374 M	67.3 M
Operating	21.3 M	21.3 M	21.3 M
Capital	21.0 M	36.0 M	46.0 M
BRTA:			
Total	$ 448,077	$ 393,524	$ 403,643
Operating	261,009	261,009	261,009
Capital	187,068	132,515	$ 142,634
BAT:			
Total	$2,026,751	$1,761,863	$1,796,287
Operating	$1,190,253	$1,190,253	$1,190,253
Capital	$ 836,498	$ 571,610	$ 606,034
CATA: (Part of MBTA Apportionment)			
Total	$ 31,000	$ 75,000	$ 75,000
Operating	$ 31,000	$ 45,000	$ 45,000
Capital	-0-	$ 30,000	$ 30,000
GATRA:			
Total	$ 834,511	$3,737,631	$4,126,357
Operating	$ 720,676	$ 720,676	$ 720,676
Capital	$ 113,835	$3,016,955	$3,405,681

LRTA:			
Total	$1,868,677	$1,489,083	$1,535,136
Operating	$1,227,765	$1,227,765	$1,227,765
Capital	$ 640,912	$ 162,318	$ 307,371
MVRTA:			
Total	$2,324,617	$2,574,140	$2,655,625
Operating	$ 907,581	$ 907,581	$ 907,581
Capital	$1,417,036	$1,666,559	$1,748,024
MRTA:			
Total	$ 811,535	$ 514,550	$ 527,785
Operating	$ 326,996	$ 326,996	$ 326,996
Capital	$ 484,539	$ 190,554	$ 200,789
PVTA:			
Total	$4,610,753	$4,544,793	$5,105,326
Operating	$2,086,058	$2,086,058	$2,086,058
Capital	$2,524,695	$2,508,735	$3,019,268
SRTA:			
Total	$2,991,294	$2,845,456	$2,975,891
Operating	$1,631,360	1,631,360	$1,631,360
Capital	$1,359,934	$1,214,096	$1,344,531
WRTA:			
Total	$2,710,194	$2,518,661	$2,795,342
Operating	$1,348,079	$1,348,079	$1,348,079
Capital	$1,362,115	$1,170,582	$1,447,263

FY '86 Budget Proposal

The Administration recommends the elimination of Section 9 operating subsidies after FY 1985, which would mean the loss of approximately $875 million annually in federal assistance. Section 9 Capital grants will be provided after FY 1985, but financed from the penny gas tax rather than through general revenues. Overall capital assistance under the program will be limited to $1.1 billion annually, even though revenues from the one cent gas tax should increase. The President also recommends that the local match for all future DOT capital projects be increased from 20% to 30%.

The proposed elimination of federal operating subsidies, along with massive reductions in capital assistance, would devastate public transportation in Massachusetts. For example, the MBTA would lose approximately $21 million annually for bus, rapid transit and commuter rail operations and approximately $15 million in capital grants. To offset the dramatic reduction in operating subsidies, the Authority would have to: 1) lay off approximately 600 personnel (the equivalent of all Red line employees or all Blue line and Orange line employees), or 2) drastically curtail service and, perhaps, raise the basic rapid transit fare from 60 cents to one dollar, or 3) shift the burden of financing MBTA

operations to state aid. The loss of $15 million in Section 9 capital grants will limit the Authority's ability to purchase new buses, replace rapid transit and commuter rail cars and equipment, and to complete systemwide improvements such as track rehabilitation and expanded MBTA police.

Under the Reagan Budget, our Regional Transit Authorities would lose $10 million in Section 9 operating subsidies, or about 40% of their operating budgets. RTA's are prohibited by law from increasing assessments to member communities by more than 2½ percent per year. Therefore, the proposed Section 9 cutbacks will translate directly into vast reductions in service, if not the bankruptcy of the RTA's, if the Commonwealth does not assume the Federal share of RTA operations.

RURAL TRANSIT ASSISTANCE PROGRAM (SECTION 18)

Program Description

Federal operating subsidies for rural transportation became available in 1978 when Congress enacted the Surface Transportation Assistance Act (STAA). The 1978 STAA expanded the 1984 UMTA Act by establishing a federal program of matching grants to help improve rural mass transit. Authorizing committees in Congress set a ceiling on the amount of funding available through the Section 18 Account. Every fiscal year the Appropriations Committee appropriates money for the program up to the ceiling established by the authorizing committees. UMTA then apportions this money to the individual states based on a formula: the ratio of the rural population of each state to that of the nation, as shown by the latest U.S. Census.

The Program in Massachusetts

Section 18 funds may be used for administrative, capital or operation expenses. In Massachusetts, nine Regional Transit Authorities and the Town of Franklin received Section 18 grants in FY '85. These funds were used to purchase and operate regional bus and van service in Berkshire, Franklin, Hampshire, Hampden, Worcester Counties and on Cape Cod and Martha's Vineyard. For example, Section 18 funds fifty percent of rural bus operations in the towns of Lee, Lenox, Sturbridge, and Great Barrington. On Cape Cod Section 18 finances a "dial a ride" van service which serves fifteen communities in Barnstable County. In FY '85, Section 18 grants funded the extension of van service to the sixteen rural communities between Springfield and Pittsfield.

FY '86 Budget Proposal

The Administration proposes to abolish the Section 18 Rural Transit Assistance program after FY 1985, which would mean the loss of approximately $72 million in federal support for transportation in rural areas. Operating subsidies will be phased out completely. All future capital assistance for rural transit will be provided from the penny gas tax, under the Section 9 formula program. The practical effect of the Administration's consolidation of the Section 3, Section 9 and Section 18 capital grant programs is that urban and rural areas throughout the country will be competing for about one-fourth of the federal assistance available in FY 1985.

Under the Reagan Budget, Massachusetts Regional Transit Authorities (RTA's) would lose approximately one million in Section 18 funds. The demise of federal support for rural transit will shift the burden of financing rural transportation to state and local governments. However, RTA's cannot absorb losses in Federal funding because Proposition 2½ has limited their ability to raise assessments to member communities. If the Commonwealth does not pick up the costs of RTA services, regional bus and van service in Berkshire, Franklin, Hampshire, Hampden, Worcester and Barnstable counties will be threatened.

Section 18 Rural Assistance

	FY '81	FY '84	FY '85	Proposed FY '86
National	72.5 M	70.0 M	72.0 M	-0-
% Change		-3.4	2.8	
State Share	1.16 M	1.04 M	1.04 M	-0-
% Change		-10.3	-0-	

MOBILITY ASSISTANCE PROGRAM

Program Description

Section 16(b)(2) provides funds to private non-profit agencies for the purchase of vehicles to transport the elderly and handicapped. The program was authorized by the Federal Aid Highway Act of 1973. State apportionments are based on the percentage of elderly and handicapped in each state, as shown by the latest U.S. Census.

The Program in Massachusetts

Under the Massachusetts program, non-profit agencies have utilized 16(b)(2) funds to purchase 8-12 passenger vans, 12-16 passenger minibuses and 15-20 passenger minibuses, all equipped with a wheel chair lift. For example, the Bristol County Home Care, Inc. of Fall River uses 16(b)(2) vehicles to provide free transportation to specialized medical services in Boston and Providence for elderly and disabled residents of fifteen communities in Bristol County. "Medi-van" as the program is called, provides transport for dialysis and chemotherapy treatment as well as other medical care which is not available in the area. Bristol County Home Care also uses 16(b)(2) vehicles to provide local dial-a-ride transportation in four communities in the Fall River area.

Agencies may use Section 16(b)(2) funds to purchase vehicles and related equipment. UMTA will pay up to eighty percent of these capital costs. Non-profit agencies must underwrite the operating expenses of the transit service as well as the twenty percent local match for vehicles and equipment.

In FY 1985, the Executive Office of Transportation and Construction (EOTC) inaugurated a one year pilot Mobility Assistance Program for cities and towns and other public agencies which are not eligible to receive Section 16(b)(2) grants. The state program is financed through the 1983 Transportation Bond Issue. This year EOTC awarded 72 vehicles to 31 public and private transportation providers. Since the inception of the federal program in FY 1975, EOTC has awarded 354 vans and mini-busers to approximately 97 agencies throughout the Commonwealth.

FY '86 Budget Proposal

The Section 16(b)(2) Program is funded through the Section 3 Capital Assistance Program. Since the Administration proposes to terminate the Section 3 program after FY '85 federal matching grants for elderly and handicapped transportation programs will be eliminated as well. This would leave thousands of elderly and handicapped citizens throughout the Commonwealth without access to employment, medical care, shopping and recreational activities.

Mobility

	FY '81	FY '84	FY '85	Proposed FY '86
National	N/A	26,150,017	26,235,329	-0-
% Change			.32	-100
State Share	N/A	631,447	636,406	
% Change			.78	-100

TRANSIT-INTERSTATE TRANSFER

Program Description

Interstate transfer grants provide capital assistance to states and localities which withdraw previously approved interstate highway projects and use these authorized funds for substitute transit projects. Interstate funds are paid from general revenues. Congress designates the overall level of appropriation for the program. Half of the funds are apportioned on a discretionary basis, and the other half are apportioned through cost-estimates approved by Congress. For the last two years Interstate transfer monies for substitute transit projects have been held up due to Congress' failure to approve an Interstate Cost Estimate (ICE).

The Program in Massachusetts

In Massachusetts, Interstate funds have been transferred from the South West Corridor and I-695 projects and used for the Red Line and Orange Line extensions. In FY '84the MBTA spent interstate funds for the improvement of signals and reconstruction of the Forest Hills to Needham Commuter Line, and for the purchase of 58 new Red Line vehicles.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	614.0 M	295.4 M	250.0 M	-0-
% Change	---	-51.8	-15.4	
State Share	192.0 M	40.0 M	40-50 M	-0-
% Change	---	-79.1	12.5	-100

The Reagan Budget proposes to terminate the Interstate Transfer Transit program after FY 1985. Current commitments would be honored through the Interstate Highway program after 1986.

The MBTA has approximately $40 to $50 million remaining in its Interstate account from trading in the Southwest Corridor in the early 1970's. The transfer of the Interstate Transit funds into the Highway Trust fund could mean the loss of this $40 to $50 million if the funds are not withdrawn in FY '86.

FEDERAL RAILROAD ADMINISTRATION (FRA)

Program Description

The FRA is the major source of financial assistance for the nation's railroad network. The FRA subsidizes the National Railroad Passenger Corporation (AMTRAK) and provides grants to the states for the improvement of local rail service. These FRA programs are highlighted below.

AMTRAK

AMTRAK is a federally subsidized private corporation which provides rail service throughout the United States.

The Program in Massachusetts

Massachusetts is served by AMTRAK trains along two routes: The Northeast Corridor which runs from Boston to Washington, D.C. via New York and Philadelphia, and the Springfield line, which runs from Springfield, Massachusetts to New Haven, Connecticut. The AMTRAK capital account provides funds for the rehabilitation of tracks and stations along the Northeast Corridor, including the reconstruction of South Station.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	881.0 M	716.4 M	684.0 M	-0-
% Change	---	-18.7	-5.2	-100

In FY '86 the Administration proposes to eliminate federal subsidies for AMTRAK "because AMTRAK's performance to date has failed to justify continued massive federal subsidies of interstate, commuter and state-assisted rail passenger service."

Breakdown of AMTRAK Funds	FY '84	FY '85	FY '86
Operating Grants and State-assisted Routes	$ 650,400	$ 664,000	-0-
Labor Protection and Capital Grants	$ 6,650	$2,000 M	-0-
Loan Guarantee Default	$1,119,636	---	
Total	$1,836,036	$684,000,000	-0-

The President of AMTRAK has commented that without Federal support, the Corporation will close down its operations on October 1, 1985 because most of AMTRAK's passenger routes are unprofitable.

The elimination of capital and operating subsidies could potentially threaten four AMTRAK routes which serve Massachusetts: "the Northeast Corridor" which runs from Boston to Washington, D.C., and services all points in-between, "the Montrealer" which runs from Washington to Montreal, with stops in Springfield and Northampton, "the

Lakeshore Limited" which runs from Boston to Pittsfield and on to Chicago, and "the Baystate Limited" which runs from Boston to Worcester to Washington, D.C., via another route. In addition to the reduction of passenger service, Massachusetts could lose dispatching and maintenance services provided by AMTRAK to MBTA commuter trains along the Northeast Corridor. The termination of AMTRAK capital subsidies could have an impact on Phase II of the renovation of South Station, since all NECIP capital projects are to be funded from the AMTRAK capital account after FY 1985.

FEDERAL LOCAL RAIL ASSISTANCE PROGRAM

Program Description

The Federal Local Rail Assistance program provides states with capital grants for rail freight service. The program was authorized by Congress in 1973. LRSA was intended to provide states in the Northeast and Midwest with funds to retain freight service over lines which were abandoned as a result of the establishment of Conrail. The program was amended in 1976, 1977, and 1981. LRSA has gone from a program of providing operating subsidies for abandoned lines, to one of providing capital assistance for track rehabilitation on non-abandoned lines. Grants are distributed according to a formula based on rail mileage. $5,000,000 of the total amount of LRSA funds appropriated by Congress are apportioned on a discretionary basis.

The Program in Massachusetts

The Boston and Maine Railroad has received LRSA monies to upgrade a stretch of the Bemis freight line between Waltham and Watertown. Massachusetts recently received $250,000 in LRSA assistance for the Boston and Maine East Deerfield Yard project and received an additional $375,000 for the project in September of 1985.

FY '86 Budget Proposal

LRSA Funding Levels

	FY '81	FY '84	FY '85	Proposed FY '86
National	40 M	25.6 M	23.2 M	5.7 M
% Change	---	-36	-9.3	-75.4
State Share	.4 M	.12 M	$375,000	-0-
% Change	---	-70	212.5	-100

In FY '85 the Administration proposed budget authority for LRSA of $8.4 M. Of that amount, $4.25 million was earmarked for Union Station in Washington, D.C., and the remainder ($4.15M) was alloted to special projects, none of which was in Massachusetts. In FY '86, the Administration proposes to distribute LRSA funds as follows:

	FY '84	FY '85	FY '86
Local Rail Service Assistance (LRSA)	$ 15,000	$ 15,000	-0-
Administration and Special Projects	$ 5,400	$10 M*	$2,366,000
Loan Defaults	$ 1,369	-0-	-0-
Washington Station	$ 3,840	(see cap)	$4,620,000
Total	$ 25,609	$23.2 M	$5,686,000

*10 million cap on appropriations for Washington station and administration and special projects.

The President's $5.7 million recommendation for the LRSA program constitutes an $18 million decrease from the FY 1985 appropriation level for the program. Under the Administration's budget, Massachusetts would receive no LRSA assistance in FY 1986 because $4.6 million of the program funds are earmarked for Union Station in Washington, D. C., and the remainder is allocated to special projects.

NORTHEAST CORRIDOR IMPROVEMENT PROGRAM (NECIP)

Program Description

The Northeast Corridor is a rail line which provides service between Boston and Washington D.C., via Philadelphia and New York. In 1976 Congress authorized funds to institute high speed passenger service between Boston and Washington, D. C. These funds would be used for the electrification of track and the rehabilitation of existing stations along the corridor. Boston's South Station was one of the stations to be renovated as apart of the project.

FY '86 Budget Proposal

	FY '81	FY '84	FY '85	Proposed FY '86
National	INA	122 M	27 M	-0-
% Change	---		-77.8	
State Share	INA	20 M	-0-	-0-
% Change	---		-100	

The Administration proposes the elimination of funding for the NECIP program in FY 1986 as they did previously in FY 1985. All future NECIP construction activities will be funded through the AMTRAK Capital Account. However, the President recommends the elimination of all Federal subsidies for AMTRAK after FY 1985, therefore no capital monies for NECIP would be provided, if the President's budget was adopted.

In FY 1984, Massachusetts officials were able to secure language in the conference budget report which directed the FRA to provide $15 million for Phase II of the renovation of South Station. If the NECIP Program is eliminated, the completion of the South Station renovation as well as other capital projects along the corridor could be threatened.

FEDERAL AVIATION PROGRAMS

Program Description

The Federal Aviation Administration (FAA) is responsible for the safety and development of our nation's airports. Established in 1958, the FAA provides grants to states for airport planning, noise abatement and runway maintenance under the Airport Improvement Program (AIP). The AIP is financed through the Airport and Airway Trust Fund which is supported by user fees such as the 5 percent tax on airline tickets and the aviation fuel tax. Congress determines the level of authorization for the trust fund based on airport passenger volume. Funds for runway improvements and maintenance are allocated by formula based on the number of passengers landing at individual airports. Funds for noise abatement and soundproofing are distributed from a mandated eight percent set aside on a discretionary basis.

The Program in Massachusetts

The FAA program is a major source of funding for the Massachusetts Port Authority, which operates Logan International Airport and Hanscom Field, and other airports throughout the state. In FY '84, $5.8 million in AIP monies were used by the Port Authority to build an airport access route over the Bird Island Flats, for the purchase of a new radio system, and for the maintenance of major runways and connector runways. Discretionary funds were used for soundproofing and noise abatement projects in East Boston, Winthrop, South Boston and Chelsea. $800,000 in AIP funds were spent for the purchase of snow removal equipment for Hanscom Field.

FY '86 Budget Proposal

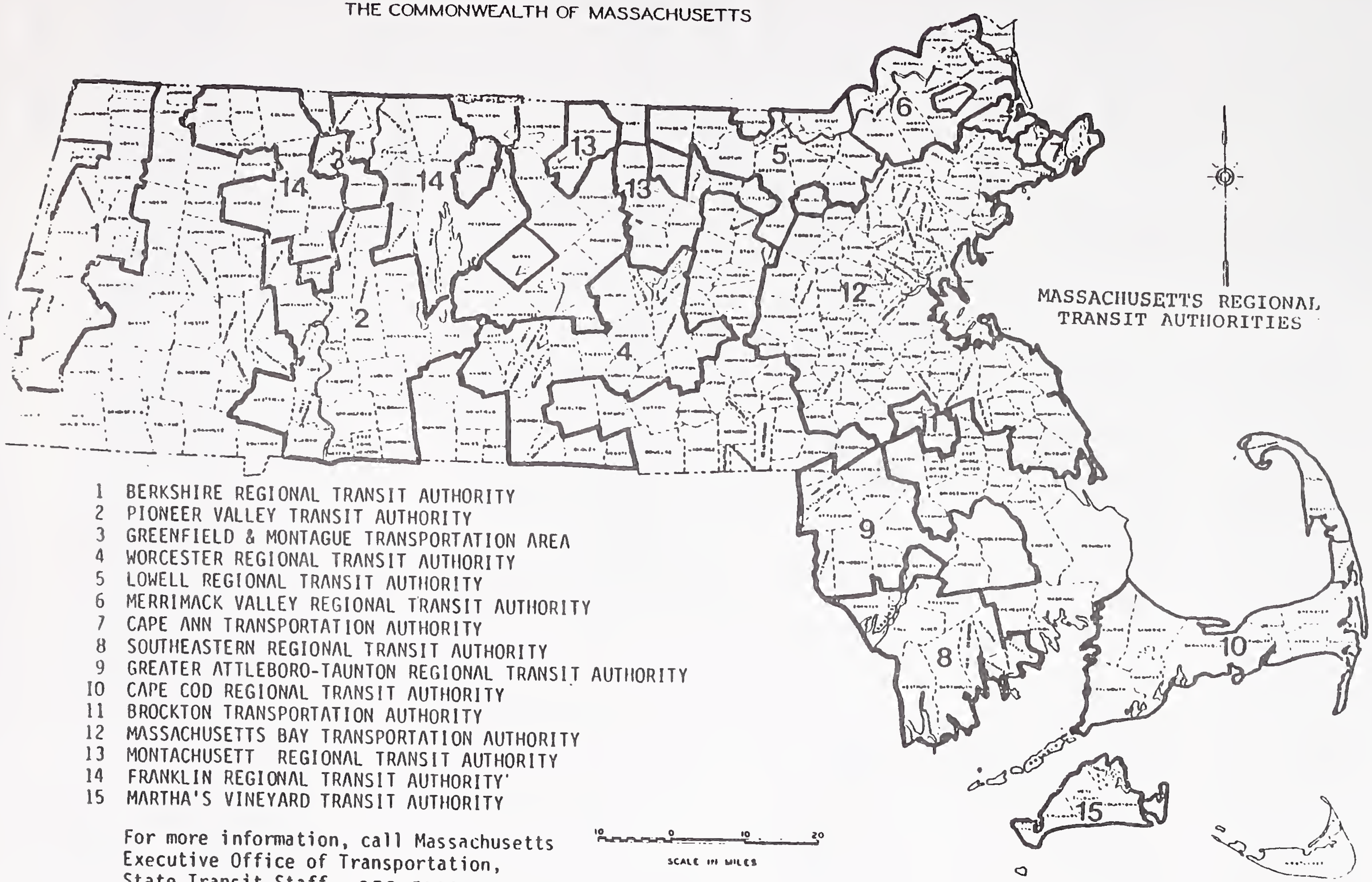
Grants-in-Aid for Airports

	FY '81	FY '84	FY '85	Proposed FY '86
National	INA	745 M	810 M	693 M
% Change	---		8.7	
State Share		5.8 M	5.7 M	5.0 M
% Change	---		-1.7	-12.2

Though overall funding levels for the Airport and Airway Trust Fund have increased in the 1980's due to increases in airport user fees, the Administration proposed funding the program well below Congressional AIP authorization in FY '83 and FY '84. In FY '85 the Administration reversed this trend by recommending that the AIP be funded at the maximum authorization level of $987M.

This year the President recommends an obligation ceiling for Grants-In-Aid-Airports which is higher than in previous years ($1.0 billion). However, the Administration has called for an appropriation level for the program of $693 million, which is approximately $117 million less than that of FY 1985. If the Reagan Budget proposal is adopted by Congress, this could mean reduced levels of AIP funding for maintenance and development of Logan International Airport.

THE COMMONWEALTH OF MASSACHUSETTS



MASSACHUSETTS REGIONAL TRANSIT AUTHORITIES

1 BERKSHIRE REGIONAL TRANSIT AUTHORITY
2 PIONEER VALLEY TRANSIT AUTHORITY
3 GREENFIELD & MONTAGUE TRANSPORTATION AREA
4 WORCESTER REGIONAL TRANSIT AUTHORITY
5 LOWELL REGIONAL TRANSIT AUTHORITY
6 MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY
7 CAPE ANN TRANSPORTATION AUTHORITY
8 SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
9 GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
10 CAPE COD REGIONAL TRANSIT AUTHORITY
11 BROCKTON TRANSPORTATION AUTHORITY
12 MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
13 MONTACHUSETT REGIONAL TRANSIT AUTHORITY
14 FRANKLIN REGIONAL TRANSIT AUTHORITY
15 MARTHA'S VINEYARD TRANSIT AUTHORITY

For more information, call Massachusetts Executive Office of Transportation, State Transit Staff, 973-7000

14 RTA's encompassing 162 cities and towns
June 30, 1984

Source: Executive Office of Transportation and Construction

OTHER PROGRAMS

Program Description

Title I of the State and Local Fiscal Assistance Act of 1972 provides funds to 39,000 counties, municipalities, and townships with few guidelines or restrictions. The general revenue sharing allocations are used for local services, construction, debt retirement, and other purposes of general government. Funds are distributed on the basis of a complex formula.

The Program in Massachusetts

In Massachusetts, 12 counties, 39 municipalities, and 312 towns receive general revenue sharing funds. In FY '85 Massachusetts communities received $128.7 million. This is about $3 million less than in FY '84 ($132 million).

General revenue sharing is extremely important to Massachusetts communities. Many cities and towns rely heavily on this form of federal assistance to augment their local operating budgets. In addition, many communities in the state are facing serious financial difficulties in trying to live within the constraints of Proposition 2½.

FY '86 Budget Proposal

The President's FY '86 budget request indicates that the Administration will propose legislation to end the program in 1986, one year before the current authorization expires.

General Revenue Sharing Allocations

	FY '81	FY '84	FY '85	Proposed FY '86
National	4.6 B	4.6 B	4.6 B	-0-
% Change		-0-	-0-	-100
State Share	145.5 M	132.2 M	128.7 M	-0-
% Change	---	-9.1	-2	-100

The GRS program was reauthorized in 1983 for a period of three years at $4.6 billion a year. The funding level has remained constant since 1976. The program is extended through September 30, 1986. The formula remained the same.

In the past, the Administration has shown support for continuing the program but indicated in the FY '84 budget message that it would seek some changes. Specifically, the President recommended combining GRS with the entitlement portion of the HUD Community Development Block Grant (CDBG) program over a period of four years. However, Congress did not act on that proposal. In FY '85, the President proposed funding the GRS program at $4.6 billion with no changes in the funding mechanism.

Should the GRS program end this year, Massachusetts communities will lose approximately $128.7 million in federal funds that by now are integral to their local operating budgets. Attached is a chart showing the use of GRS funds in Massachusetts for FY '83, the latest year for which such data is available. The service and tax impact of eliminating GRS are very significant for every city and town in our state.

	1983 Actual Revenue Sharing Expenditures			
	Total	Counties	Municipalities	Townships
Massachusetts, total	142,859	4,642	77,619	60,598
By character and object:				
Current expenditure	126,345	3,220	74,566	48,559
Capital outlay	4,639	192	773	3,674
Redemption of debt	11,875	1,230	2,280	8,365
By function:				
Correction	1,054	1,054	-	-
Education	4,528	-	3,379	1,149
Finance and general administration	2,954	-	697	2,257
Fire protection	31,595	-	20,826	10,769
Health	2,712	43	2,049	620
Highways	9,203	-	2,868	6,335
Hospitals	350	-	-	350
Interest on general debt	2,903	898	724	1,281
Libraries	774	-	438	336
Parks and recreation	1,423	-	1,091	332
Police protection	54,142	-	36,565	17,577
Public welfare	762	-	674	88
Redemption of debt	11,875	1,230	2,280	8,365
Sanitation other than sewerage	3,313	-	762	2,551
Sewerage	2,383	-	1,708	675
Utility systems	2,439	-	2,010	429
All other	10,449	1,417	1,548	7,484

MILITARY SPENDING

Consistent with all previous budgets he has submitted to the Congress, President Reagan has continued the sustained expansion of American armed forces while continuing the massive build-up of our weapons systems. The Reagan defense request totals \$313.7 billion in budget authority with another \$8.¯ billion in other military accounts such as the Department of Energy's nuclear weapons program. This 12.7% increase (or 8.3% when adjusted for inflation) represents a postwar record of the sixth consecutive year that the military budget has grown faster than inflation. The President also seeks an increase of 13% in defense budget authority in each of the following two years.

Once again, defense procurement is the fastest growing and single largest line item in the defense budget this year.

The Administration has asked Congress to appropriate funds for additional nuclear weapons, the space based antimissile program - so-called "Star Wars," 48 additional MX missiles, 48 more nuclear armed B-1 bombers and one new Trident missile submarine. The Administration also seeks a 5% pay cut for the Pentagon's one million civilian employees.

Military Spending in Massachusetts

Since military spending is such a major part of the national budget and our entire economy, Massachusetts is greatly affected, due in part, to the contracts awarded to Commonwealth businesses, as well as the widening gap of defense spending in our state vs. other regions.

Analyses have shown that while Massachusets fares well in procurement contracts - obtaining approximately five percent of the national prime contracts - we lag behind in most of the other areas of defense spending. These include most notably personnel, construction, and operations. This lag is part of a general pattern of defense spending which favors southern and western states over the New England and midwestern states, according to studies by the Northeast-Midwest Institute.

Defense budgets are analyzed in two main categories: 1) direct defense expenditures -- an estimated compilation of all personnel pay, research and development, operation and maintenance and military construction, and 2) prime contracts -- real dollar summary of all major procurement awards of \$10,000 or more.

For FY '85, Massachusetts received \$7 billion in prime contract awards, or 5% of the national total (\$1,212 per capita). The total for the New England states was \$14 billion or 11.5% of the national total.

For FY '83, the latest figures available for payroll, research and development and military construction, show Massachusetts faring well in research and development, but lagging behind in payroll and military construction. The Commonwealth received \$1.6 billion or 7.2% of the R & D defense monies, \$806 million or 1.2% in payroll, and \$29.9 million or 1.2% in military construction.

Program Description

The Economic Development Administration (EDA) provides grants and loans to assist economically distressed communities in creating jobs and improving public service systems to attract private sector investment. Communities must be designated as depressed areas by the Secretary of Commerce in order to receive EDA funds.

Grants for the construction, maintenance and repair of roads, bridges, sewers, and water treatment facilities have traditionally been awarded through EDA.

The Program in Massachusetts

EDA funds have assisted communities in Massachusetts in planning and constructing essential public facilities. Termination of the program would seriously impede local efforts to attract private investment through improvement of area service systems.

FY '86 Budget Proposal

In FY '84, $266 million was available for public works, technical assistance, planning, and economic adjustment grants (for communities suffering from sudden and severe economic hardships such as plant shutdowns and industrial relocation). EDA has also made direct and guaranteed loans available to business in the past. In FY '85, Congress appropriated $226 million for EDA programs.

FY '85 - EDA Grant Programs

	(millions)
Public Works	149
Planning	27
Technical Assistance	8
Research & Evaluation	9
Economic Adjustment	33

The President has recommended elimination of EDA in each budget he has proposed. Congress has always saved the program by providing funds and authorization language in continuing resolutions.

During the last session of Congress, the House passed a bill which would reauthorize an economic development program within the Department of Commerce. The Senate did not take action on similar legislation.

	FY '81	FY '84	FY '85	Proposed FY '86
National	$ 476 M	$ 240 M	$ 226 M	-0-
% Change	---	-50	-6	-100
State Share	7.68 M	4.6 M	4.0 M	-0-
% Change	---	-40	-13	-100

SMALL BUSINESS ADMINISTRATION

Program Description

The Small Business Administration (SBA) sponsors a wide range of programs which assist the small business community. There are three primary categories of assistance which SBA offers: finance, management, and procurement. While the majority of SBA's financial aid is channeled through its direct and guaranteed loan programs, the agency also undertakes responsibility for a number of specific lending programs. These include, for example, disaster assistance, energy related loans, minority business support, and the funding of development loan packages through its certified development company program.

The Program in Massachusetts

Certified Development Company (Sec. 503) Program

Presently, there are 21 certified development companies (CDCs) in the Commonwealth. These organizations packaged 190 SBA 503 loans totaling $44.6 million through January, 1984. This was the program's first full year of operation after enactment in 1980.

These SBA-authorized CDCs can provide funds for 40-50 percent of a business development project's fixed asset costs for a term of up to 25 years at fixed, below market rates. These loans provide capital for land and building construction, long-term leasehold agreements, and equipment purchases.

Direct and Guaranteed Loans

In addition to the 503 program, SBA offers direct and guaranteed loans to small firms which have difficulty, because of local and national economic trends, in obtaining long-term financing. In times of high interest rates, entrepreneurs need this type of assistance in securing capital to make their ideas and energy translate into jobs and income.

In FY '84, SBA extended $5.2 million for 92 direct loans and $59.3 million for 398 guaranteed loans to small Massachusetts firms. These loans are not awarded on the basis of regional allocations or a state-by-state formula. Decisions on loans are based on the quality of the loan package and are made by SBA regional and national offices.

FY '86 Budget Proposal

The President's FY '86 budget request calls for the elimination of the Small Business Administration (SBA). The request for its elimination is based upon the contention that the SBA duplicates services which are available through the private sector. Currently funded at $725 million, the FY '86 budget request is $97 million which would be allocated for salaries and expenses.

In addition, the agency's loan portfolio for business investment, as well as disaster loans, would be transferred to the Department of Treasury, where all loans would subsequently be serviced and liquidated. Consequently, the Treasury's budget would include $517 million to cover claims on defaulted SBA guaranteed loans.

Other SBA loans, such as procurement assistance, innovation, research, technology, the Service Corps of Retired Executives, and the Office of Advocacy, would be transferred to the Department of Commerce, where they would be incorporated within the Minority Business Development Administration into a new organization - The Administration for Enterprise Development and Opportunity (AEDO). The Administration's FY '86 budget proposal for AEDO operations is $97 million.

The total withdrawal by the Reagan Administration prior from levels of commitment to competitive small business, which continues to be the source of most of the new employment opportunities created in the American economy will result in not only the stifling of new growth in small business, but also a drastic increase in the number of failed and bankrupt small businesses. Thus, the elimination of the SBA could jeopardize the economic recovery in Massachusetts and throughout the nation.

Program Description

The budget of the Department of Justice (DOJ) includes funding for the Federal Bureau of Investigation, the Drug Enforcement Administration, the U.S. Attorneys and Marshalls, the Federal Prison System, the Immigration and Naturalization Service, the Office of Justice Assistance, as well as other law enforcement programs within the agency.

FY '86 Budget Proposal

The FY '86 budget request for DOJ is $3.809 billion. This represents a net increase of $34 million over the Department's FY '85 budget of $3.775 billion. It also represents an increase of $2.34 billion over the Department's FY '81 budget of $1.46 billion. Nearly all of the huge increases have been targeted toward a variety of criminal justice components. The FY '86 budget requests funds to implement the Crime Control Act of 1984, which contains authorization for a program to assist state and local criminal justice projects.

The Administration proposes to eliminate the Juvenile Justice and Delinquency Prevention Program (JJDPA). Congress rejected previous attempts to terminate the JJDPA having appropriated $70 million for the program in FY '85. Massachusetts received a total of $1.2 million out of those funds. The program was reauthorized in 1984 through FY '88.

Highlights of the remaining budget request include:

- $61.2 million for the state and local program. Of that amount, $53.6 million will be available for formula grants and $13.4 million for discretionary grants. The Commonwealth anticipates that it will receive up to $1.3 million in FY '85 under the formula grant if fully matched by the state. The program is targeted to assist state and local projects which offer a high probability of improving the functioning of the criminal justice system and focuses on violent crimes and serious offenders.

- $100 million in 1985 and 1986 for state, local and federal victims of crime programs. The Commonwealth's own Victims Compensation Fund could be reimbursed each year under the program for up to 35% of the payments it made in the previous fiscal year. In FY '85, the Fund could be reimbursed up to $350,000. Under the formula grant program which provides financial support of public and/or private crime victims assistance programs, the Commonwealth could receive up to $1.5 million in FY '85.

- $16.7 million for criminal justice statistical programs which provide technical assistance to states. In FY '85, the Commonwealth received $70,000 in such grants.

- $5 million for additional cooperative agreements with state and local jail facilities for rehabilitation, modernization and construction of prisoner bed-space for federal prisoners.

- $4 million for the Missing Children's Program.

The President's FY '86 budget does not include funds for the Criminal Justice Facility Construction Pilot Program which was authorized at $25 million under the Crime Control Act of 1984. Massachusetts is aggressively addressing its own prison over-crowding problems and could make good use of whatever funds may become available under this program.

Program Description

The Legal Services Corporation (LSC) is a private, non-profit organization which funds state and local agencies providing free civil legal assistance to low-income individuals. It was created by Congress in 1974 and distributes funds to 320 programs nationwide.

The Program in Massachuetts

Currently, the Commonwealth has ten local legal clinics which provide service to income-qualified clients, one state-wide support center, and two national support centers located in Cambridge and Boston. In FY '85, the Commonwealth received a total of $7.1 million from the LSC to run its programs.

Legal Services Corporation Funding in Massachusetts

	FY '81	FY '84	FY '85	Proposed FY '86
National	$321 M	$275 M	$305 M	-0-
State Share 10 Local Legal Clinics	$6.2 M	$4.8 M	$5.3 M	-0-
1-State-wide Support Center	$609,164	$422,311	$468,386	-0-
2-National Support Centers Cambridge: Center for Law and Educ.	$649,590	$548,519	$608,362	-0-
Boston: Consumer Law Center	$996,458	$616,150	$683,372	-0-

FY '86 Budget Proposal

The President's FY '86 budget proposes the elimination of the Legal Services Corporation. Congress has rejected the Administration's previous attempts to eliminate the LSC by appropriating $275 million in FY '84 and $305 million in FY '85. The Administration claims that the Social Services Block Grant (SSBG) includes adequate authority to fund legal services that the states wish to provide for their poor citizens. However, the FY '86 budget request contains a $25 million reduction in SSBG coupled with a proposal to absorb the Community Services Block Grant into SSBG (see SSBG analysis).

The administration would also rely on state and local bar associations to increase their programs to provide free assistance to indigent clients.

APPENDIX

THE BUDGET PROCESS

The Federal Government allocates resources between the private and public sectors of the economy through both taxing and spending. Within the Federal Government, the allocation of budget resources among individual spending programs reflects the national priorities determined by the executive branch and the Congress.

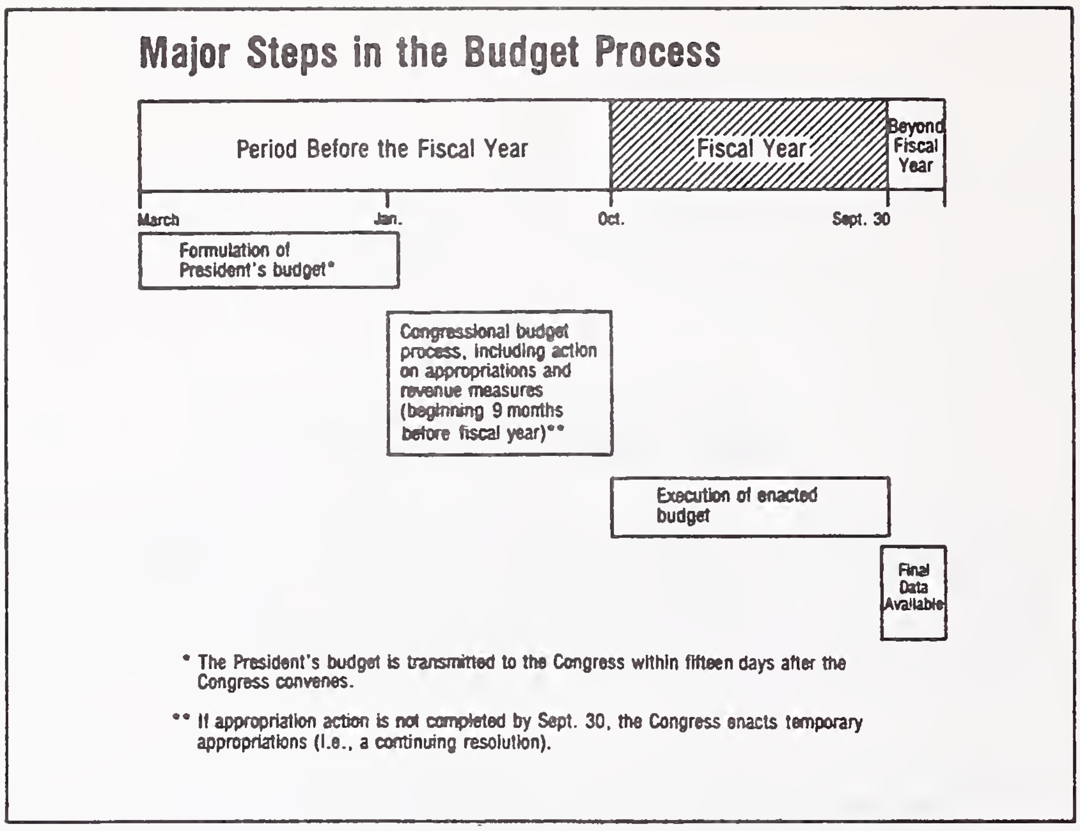
Executive formulation and transmittal.—The budget sets forth the President's financial plan of operation for the Federal Government. The President's transmittal of budget proposals to the Congress is the result of many months of planning and analysis throughout the executive branch. Formulation of the 1986 budget began in mid-1984.

First, policy issues are identified, budget projections are made, and preliminary program plans are presented to the President. The President reviews the budget projections in light of the economic outlook, and establishes general budget and fiscal policy guidelines for the fiscal year that begins more than a year later. Under the multi-year budget planning system, the President's guidelines also cover the 4 fiscal years beyond the budget year. Tentative policy decisions and planning ceilings for the budget year and for the following 4 years are then given to the agencies as guidelines for preparing their budgets.

In the summer, agencies and departments prepare their budget requests, which are reviewed in detail in the fall by the Office of Management and Budget and presented to the President. The budget sent to the Congress at the beginning of each calendar year reflects the President's recommendations for existing and proposed tax and spending programs, as well as for total outlay and receipt levels consistent with the economic assumptions used in the budget.

By law, the President must update this budget on or before April 10 and again by July 15, taking into account newly enacted legislation, the administration's latest economic assumptions, and any new recommendations and revised estimates.

The law also requires the President to transmit current services estimates annually. These estimates are the budget authority and



outlays required to continue Federal programs in subsequent fiscal years without any policy changes, thereby providing a base with which to compare proposed changes. Current services estimates for 1986 and the following 4 years accompany the 1986 budget.

Congressional action.—Before enacting budget authority, which permits agencies to spend money, the Congress enacts legislation to authorize the program and provide guidance on funding levels. Budget authority is usually provided separately in appropriations bills after the program authorizing legislation has been enacted. In many cases, budget authority becomes available each year only as voted by the Congress. Programs such as space exploration, nuclear energy, defense procurement, foreign affairs, and some construction projects require annual appropriations legislation. In other cases, the Congress has voted permanent budget authority, under which funds become available annually without further congressional action. For example, social security and interest on the public debt are paid under permanent appropriations.

Under procedures established by the Congressional Budget Act of 1974, the Congress considers budget totals prior to completing

action on individual appropriations bills. The Act requires that congressional committees send reports on budget estimates to the House and Senate budget committees by March 15. The budget committees are to report out a budget resolution by April 15.

The Congress is scheduled to adopt by May 15 the first budget resolution, which sets overall targets for receipts, outlays and budget authority. A second resolution may be adopted in the fall. Either resolution can contain a reconciliation directive calling on various committees to cut spending or increase receipts by specified amounts. In recent years, the Congress has enacted omnibus reconciliation legislation in response to the reconciliation directives.

Congressional consideration of requests for appropriations and for changes in revenue laws are considered first in the House of Representatives, where the Ways and Means Committee reviews proposed revenue measures and the Appropriations Committee studies the appropriations requests. These committees then recommend the action to be taken by the House of Representatives. After the appropriations and tax bills are approved by the House, they are forwarded to the Senate, where a similar process is followed. In case of disagreement between the two Houses of the Congress, a conference committee, consisting of Members of both bodies, resolves the issues and submits a report to both Houses for approval.

After approval, measures are transmitted to the President for approval or veto. When appropriations are not enacted by the beginning of the fiscal year, the Congress enacts a continuing resolution to provide authority so that the affected agencies may continue operations until a specified date or until their regular appropriations are enacted.

Budget execution and control.—Once approved, the budget becomes the basis for the financial operations of agencies during the fiscal year. Most budget authority and other budgetary resources are made available by the Office of Management and Budget under an apportionment system designed to ensure the effective and orderly use of available authority.

Amounts may be withheld by the President for policy and other reasons. However, the Impoundment Control Act of 1974 provides that the executive branch, in regulating the rate of spending, must report to the Congress any administrative action to postpone or eliminate spending authorized by law.

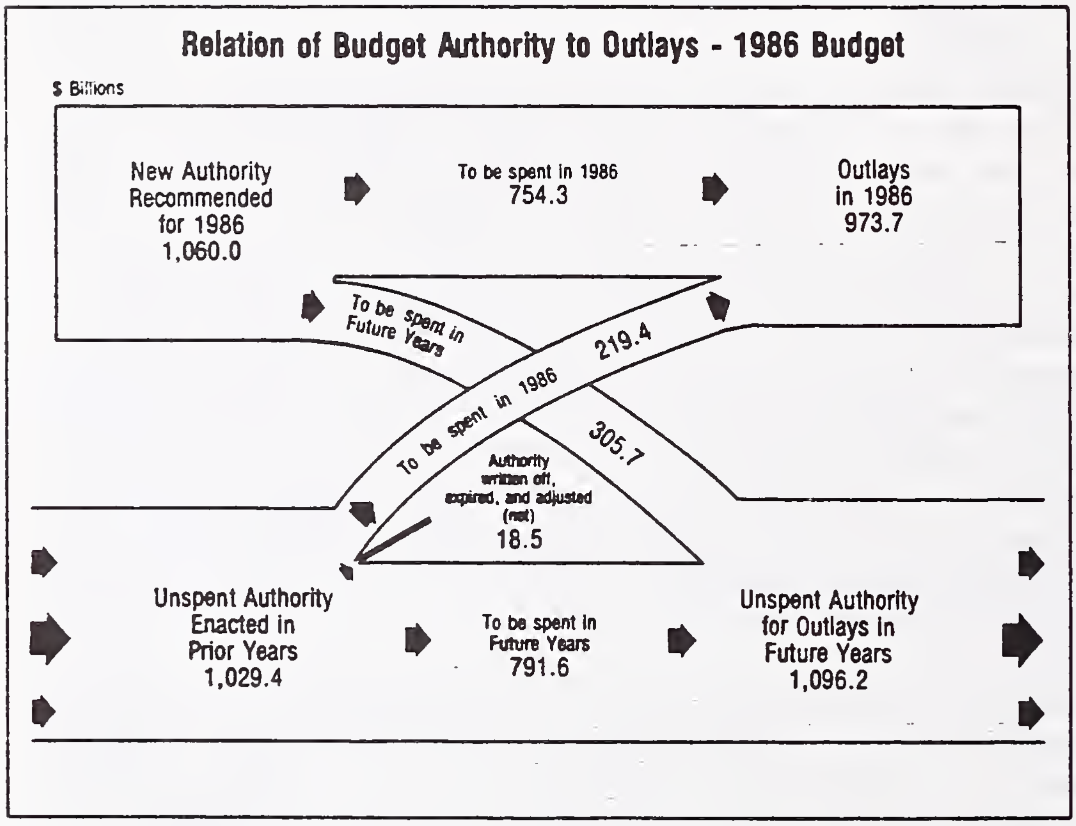
Deferrals, which are temporary withholdings of budget authority, may be overturned by an act of the Congress at any time. Rescissions, which permanently cancel existing budget authority, must be approved by the full Congress within 45 days of continuous session. Otherwise, the withheld funds must be made available for spending.

Relation of Budget Authority to Outlays

Not all of the new budget authority for 1986 will be obligated or spent in that year.

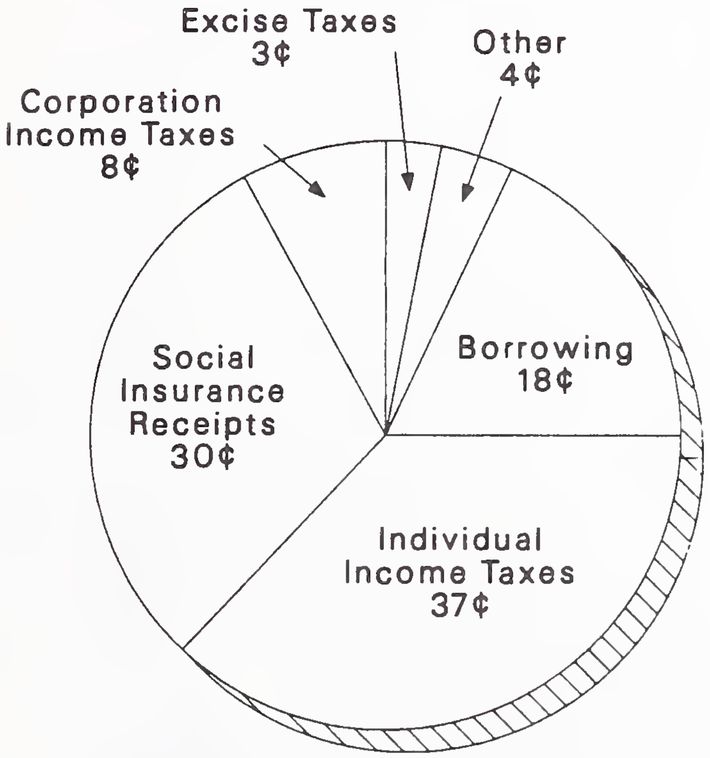
- Budget authority for most major trust funds arises from their receipts and is used over time as needed for purposes specified by law.
- Budget authority for most major construction and procurement programs covers the estimated full cost of projects at the time they are started.
- Budget authority for many loan and insurance programs provides financing for a period of years or is a backup that may be used only in the event of defaults.

As a result of these factors, a large amount of budget authority carries over from one year to the next. Most is earmarked for specific uses and is not available for any other program.

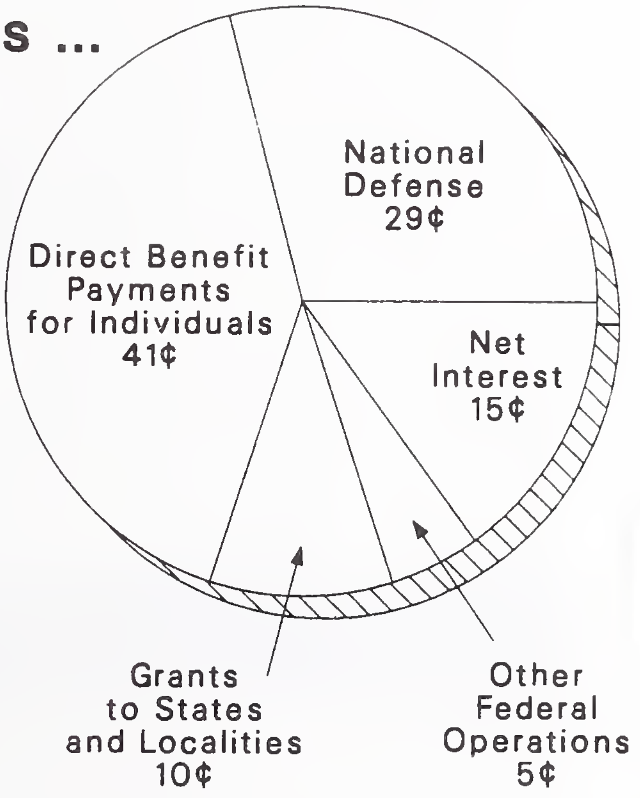


The Budget Dollar
Fiscal Year 1986 Estimate

Where It Comes From ...



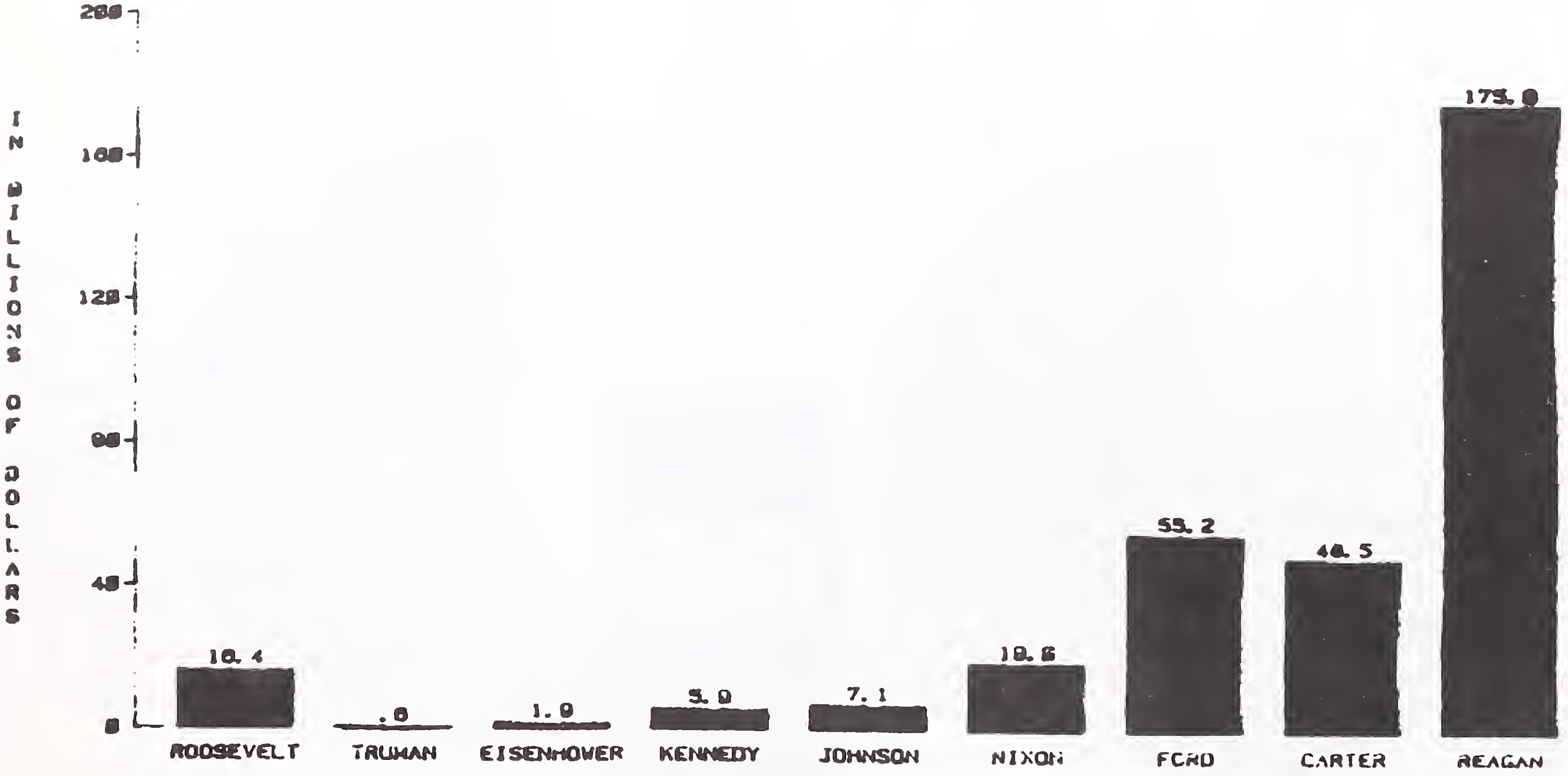
Where It Goes ...



AVERAGE DEFICIT FOR EACH PRESIDENT

ROOSEVELT -- REAGAN

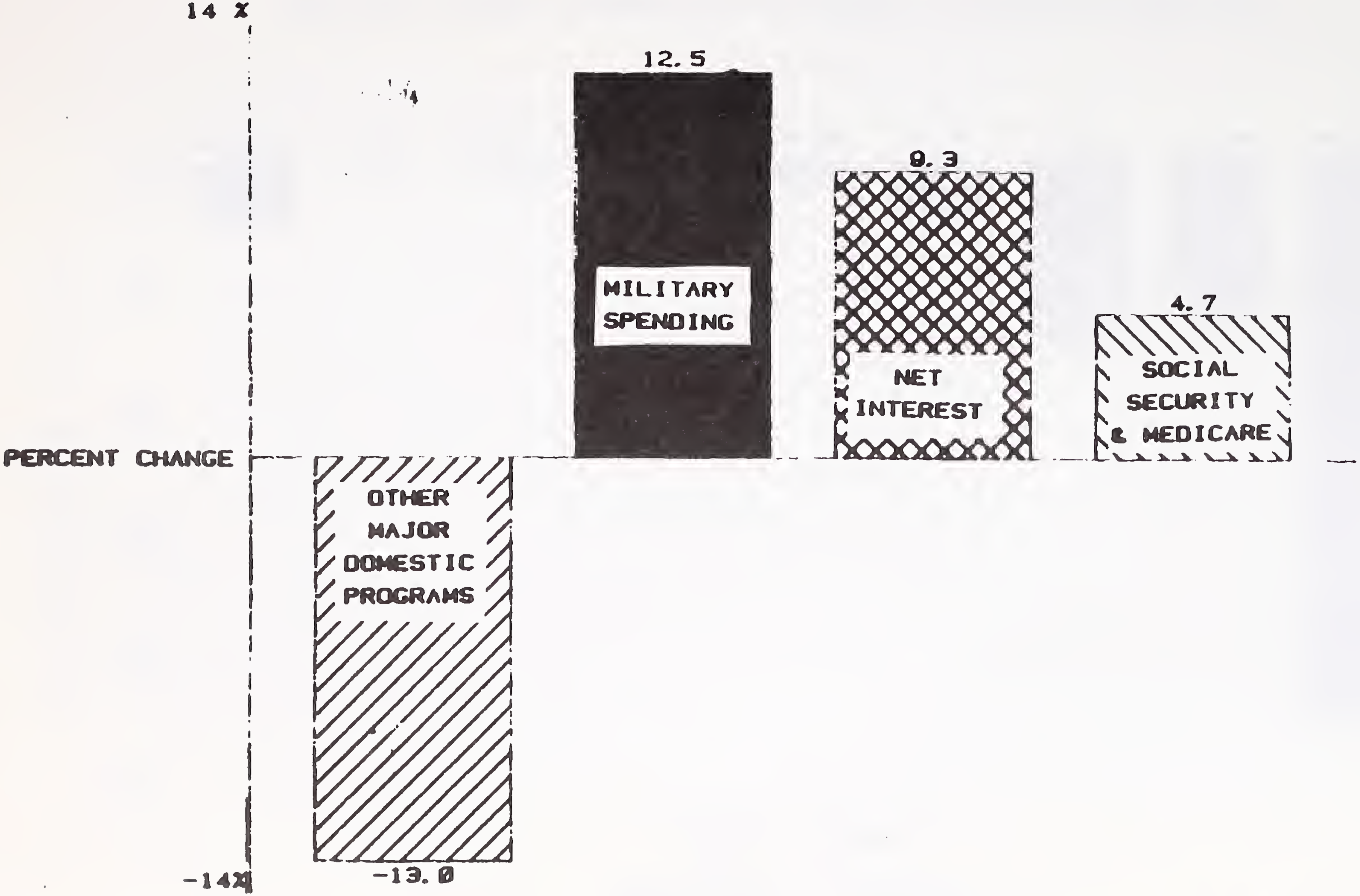
(1934 -- 1985)



"BUT AN ALMOST UNBROKEN 50 YEARS OF DEFICIT SPENDING HAS FINALLY BROUGHT US TO A TIME OF RECKONING."

REAGAN SECOND INAUGURAL ADDRESS - 1985.

PRESIDENT'S PRIORITIES
1986 BUDGET COMPARED TO 1985

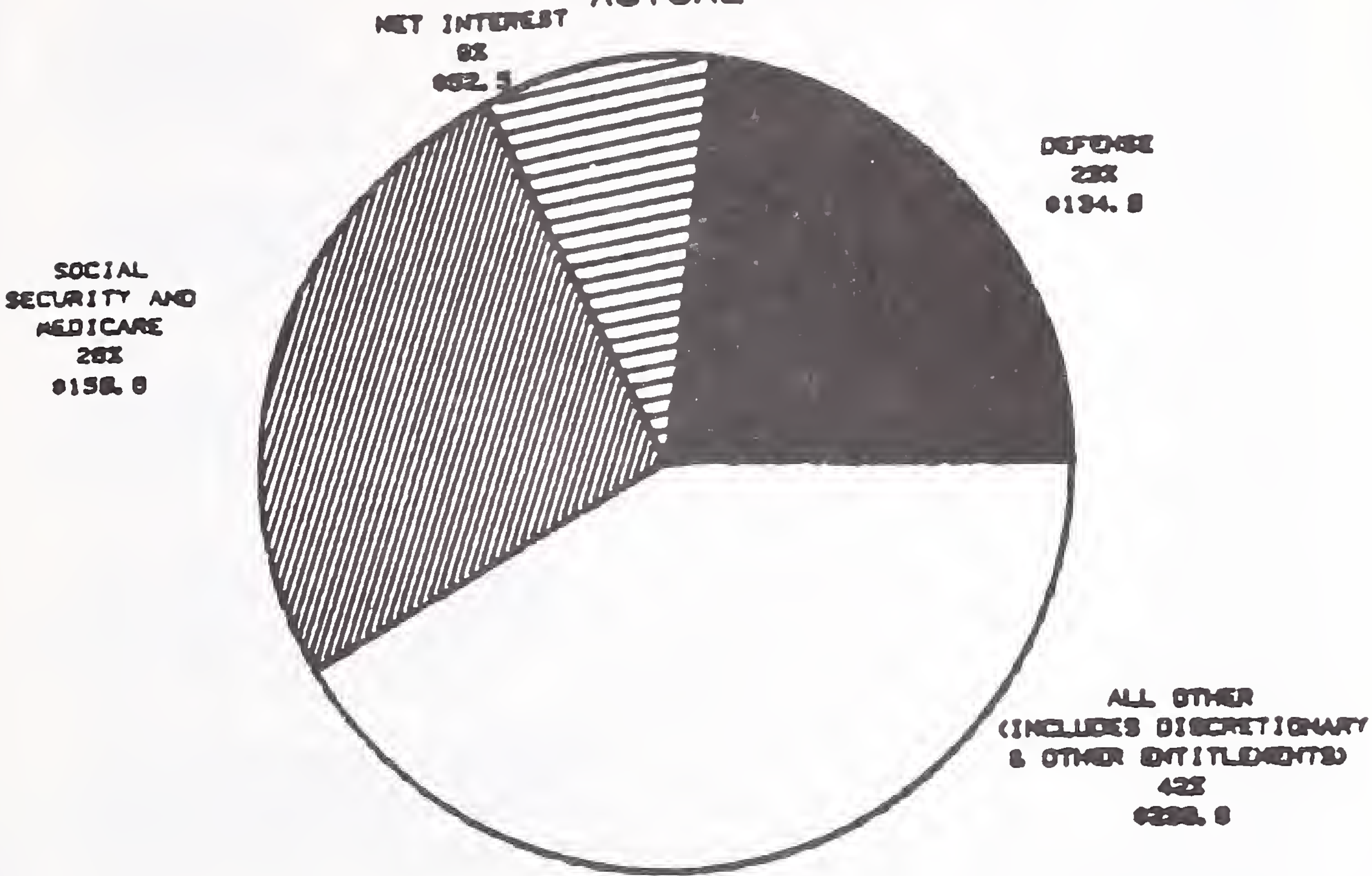


HOUSE BUDGET COMMITTEE
FEBRUARY 4, 1985

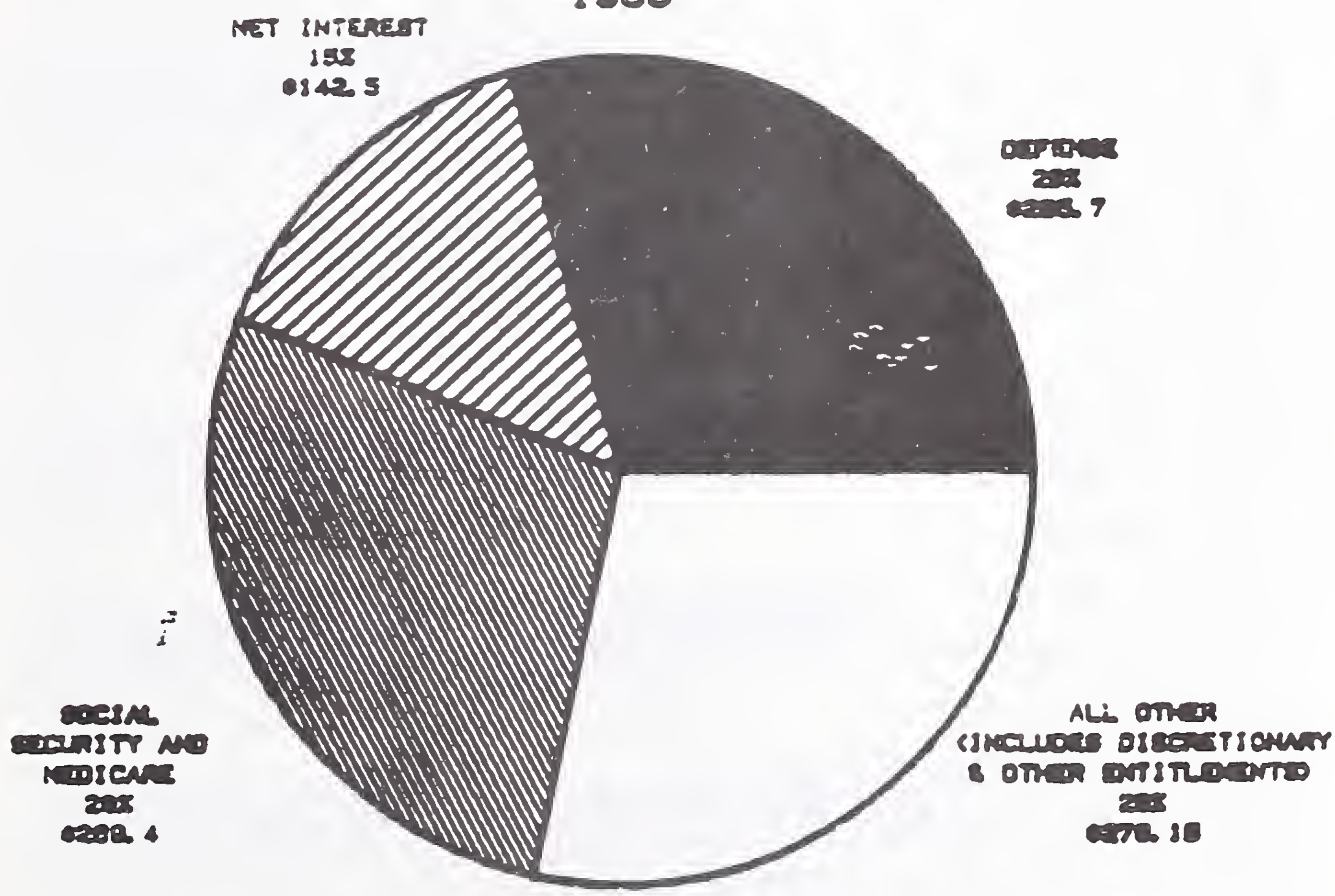
PRESIDENT'S PRIORITIES COMPARED TO 1980

(OUTLAYS IN BILLIONS OF DOLLARS)

1980
ACTUAL



1986



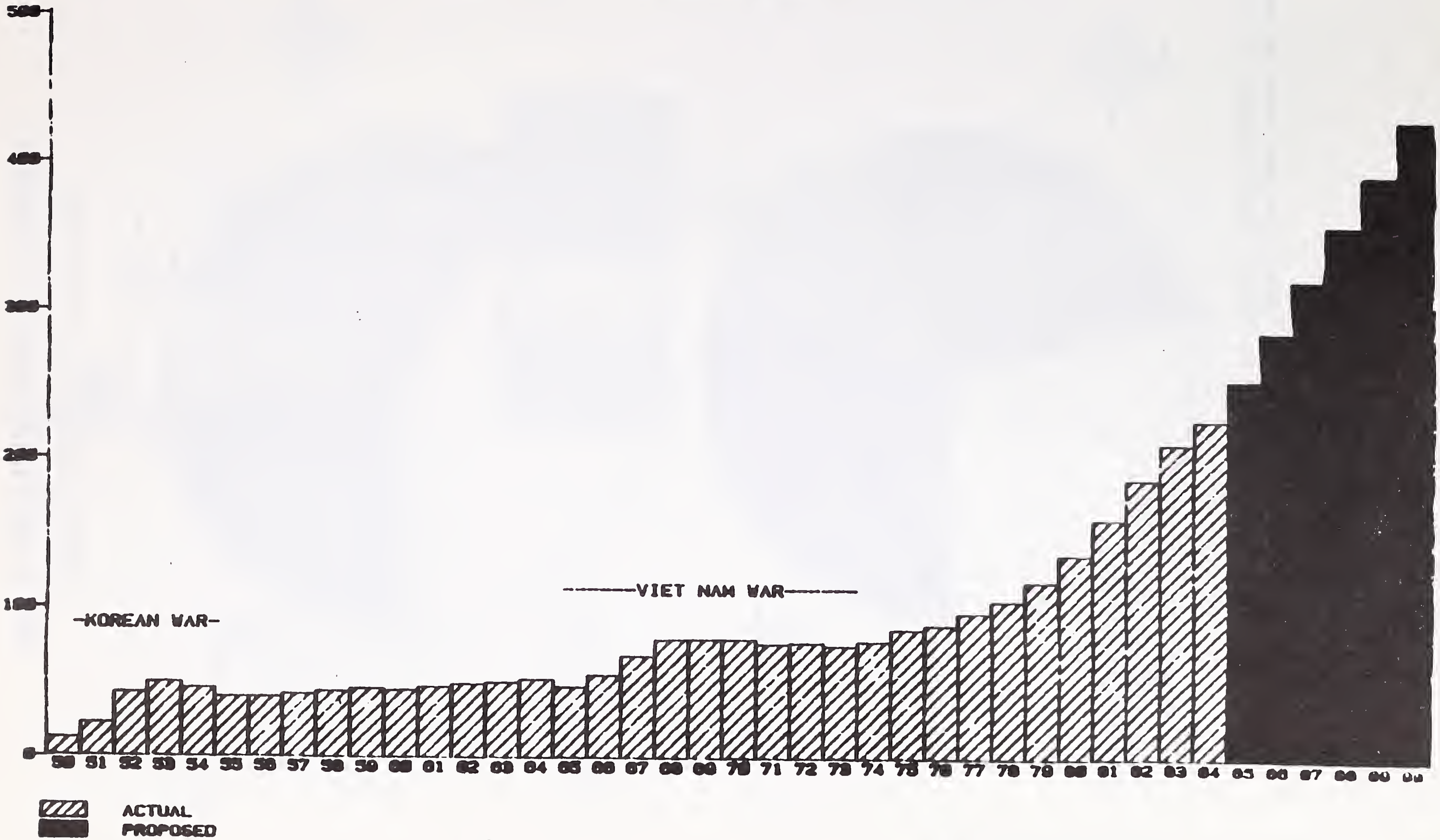
THE 1986 PRESIDENT'S BUDGET INCLUDES THE IMPACT OF THE PRESIDENT'S PROPOSAL TO BRING OFF BUDGET AGENCIES ON BUDGET. THIS WOULD TAKE LEGISLATIVE ACTION.

HOUSE BUDGET COMMITTEE
FEBRUARY 4, 1985

MILITARY SPENDING OUTLAYS

1950 – 1990

(IN BILLIONS OF DOLLARS)



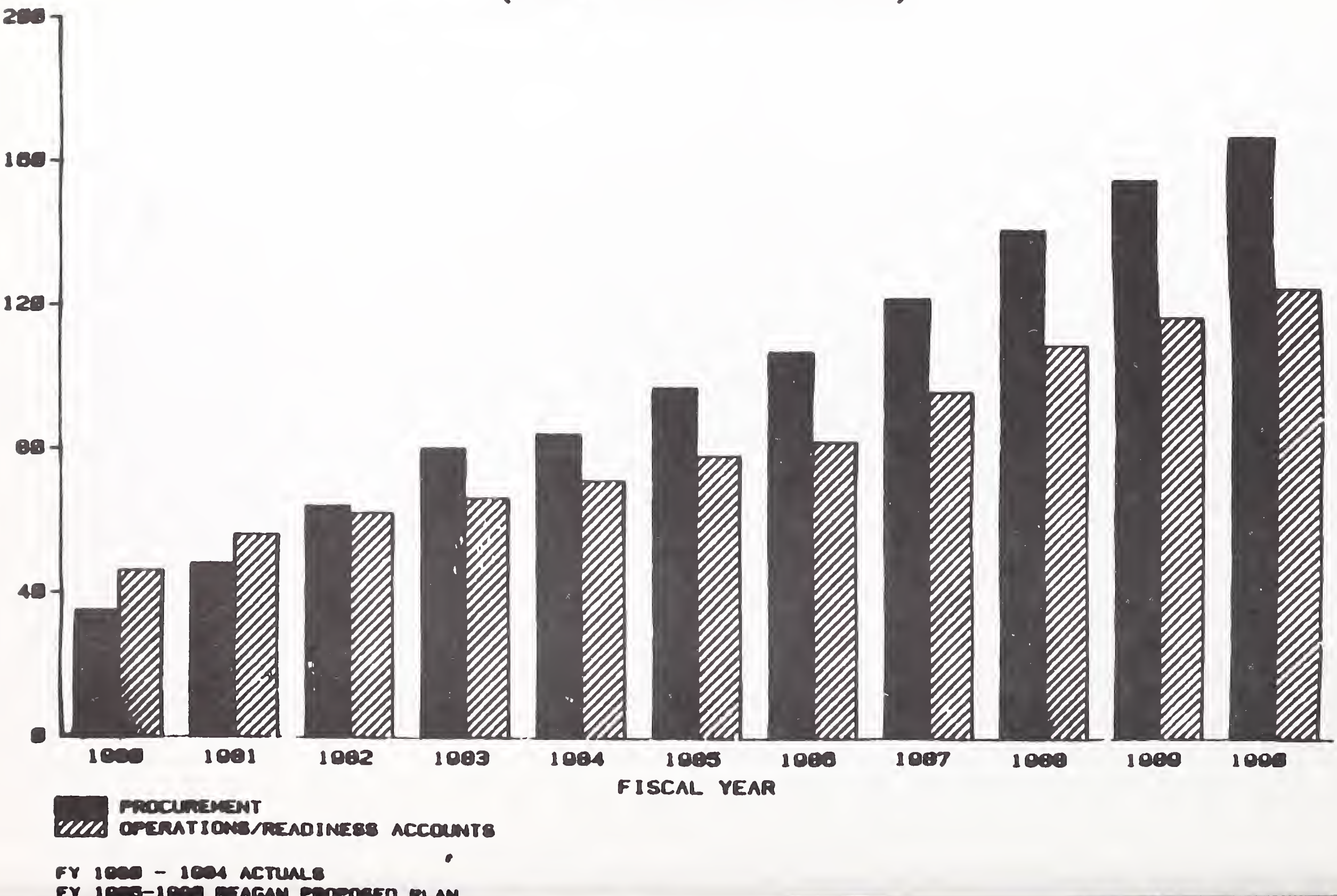
1985–1990 FIGURES TAKEN FROM PRESIDENT'S FY 1986 BUDGET

HOUSE BUDGET COMMITTEE
FEBRUARY 4, 1985

CHANGES IN MILITARY SPENDING

PROCUREMENT AND OPERATIONS/READINESS FUNDING

(BUDGET AUTHORITY IN BILLIONS)



HOUSE BUDGET COMMITTEE

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